

OFFICIAL STATEMENT

HILMAR
UNIFIED
SCHOOL
DISTRICT
SCHOOL
BUILDING
CORPORATION

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APR 19 1979

UNIVERSITY OF CALIFORNIA

COUNTY OF MERCED, CALIFORNIA

\$1,825,000

SERIES OF 1979 BONDS
(LEASE MORTGAGE BONDS)



80 00268

**HILMAR UNIFIED SCHOOL DISTRICT
SCHOOL BUILDING CORPORATION
SERIES OF 1979 BONDS**

**HILMAR UNIFIED SCHOOL DISTRICT
SCHOOL BUILDING CORPORATION
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Vernon D. Wickstrom, *Vice President*
Phil V. Fanelli, *Treasurer*
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Joe Mendes, *Vice Chairman*
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Lolly Arnold, *Member*
Manuel Machado, *Member*
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Lou Stephens, *Member*

DISTRICT SUPERINTENDENT

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Bond Counsel

Orrick, Herrington, Rowley & Sutcliffe, *San Francisco*

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Allen W. Young, Architect A.I.A., Octagon Associates,
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Trustee

United California Bank, *San Francisco*

Paying Agents

United California Bank, *Los Angeles and San Francisco*
Northern Trust Company, *Chicago*
Manufacturers Hanover Trust Company, *New York*

Title Company

Western Title Insurance Company, *San Francisco*

THE DATE OF THIS OFFICIAL STATEMENT IS
AUGUST 7, 1979

HILMAR UNIFIED SCHOOL DISTRICT SCHOOL BUILDING CORPORATION

August 7, 1979

To Whom It May Concern:

The purpose of this Official Statement is to furnish information regarding \$1,825,000 principal amount of Series of 1979 Bonds (the "Bonds") to be issued by the Hilmar Unified School District School Building Corporation ("Corporation"), Hilmar, California.

The material contained in this Official Statement was prepared by Loeb Rhoades Shearson, Division of Shearson Hayden Stone Inc., as Financing Consultants to and under the direction of the Corporation and the Hilmar Unified School District ("District"). Financing Consultant's fee for services is contingent upon the sale and successful delivery of the Bonds. All information contained in this Official Statement is gathered from sources believed to be reliable but the accuracy thereof is not guaranteed.

All of the following summaries of the statutes, Indenture, Site Lease, Facility Lease, financial analysis, audits, construction contract, and other documents are made subject to the provisions of such documents respectively, and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the Corporation for further information in connection therewith. This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Any statement herein involving estimates and projections may or may not be realized. Any statements herein involving matters of opinion or estimates, whether or not so designated, are to be construed as provisional rather than factual.

An official of the District has reviewed this Official Statement and has determined that as of the date hereof, to the best of the knowledge and belief of said official, the Official Statement does not contain an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading. The Corporation will deliver to the purchaser of the Bonds a certificate of an official of the District as to the above, dated the date of the Bond delivery, and further certifying that the signatory knows of no material adverse change in the condition of the District which would make it unreasonable for the purchaser of the Bonds to rely upon the Official Statement in connection with the resale of the Bonds, and authorizing the purchaser of the Bonds to distribute copies of the Official Statement in connection with the resale of the Bonds. 200 copies of the Official Statement will be supplied to the purchaser of the Bonds for this purpose at the expense of the Corporation.

The legal opinion of Orrick, Herrington, Rowley & Sutcliffe, San Francisco, California, will be furnished to the successful bidder at the time of delivery of the Bonds at the expense of the Corporation. Bond Counsel's fee for services is in part contingent upon sale and successful delivery of the Bonds. The scope of Bond Counsel's engagement in connection with the review of this Official Statement has been limited to reviewing the statements of law and legal conclusions set forth herein referring to the Legal Documents described in the sections entitled "The Bonds" and "Legal Documents".

Shearson Hayden Stone Inc. may submit a bid for the currently offered Bonds and, if it is the successful bidder, may purchase the Bonds and resell all or a portion of the Bonds to the public.

The execution and delivery of this Official Statement have been authorized by the Corporation.

/s/ Durwood C. Tell
President

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No dealer, broker, salesman or other person has been authorized by Hilmar Unified School District School Building Corporation to give any information or to make any representations other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the Corporation.

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INTRODUCTION

The Hilmar Unified School District School Building Corporation ("Corporation") is a nonprofit corporation, incorporated on December 14, 1978 for the sole purpose of financing the construction of school buildings and related facilities to be located in Hilmar, California, for the use and occupancy of the Hilmar Unified School District ("District"). The \$1,825,000 principal amount of Bonds currently being offered for sale will be used for construction of physical education and music facilities, contingencies, fees, bond reserve fund, funded interest, and incidentals. The construction to be financed from Bond proceeds is expected to commence during September, 1979. Under terms of the construction contract, completion is scheduled during August, 1980. Interest on the Bonds has been funded for a period of 12 months while the first District rent payment is not due until February 15, 1981.

The facilities will be leased to the Hilmar Unified School District, a political subdivision of the State of California, by the Corporation. Under the terms of the Facility Lease, the District will agree to pay to the Corporation on or before February 15 and on or before August 15 of each year (commencing on February 15, 1981), a fixed base rental sufficient to meet the annual principal and semi-annual interest payments on the

Bonds as they come due. The District is further required to pay additional rental equal to any administrative costs assumed under the terms of the agreement. Pursuant to the Indenture, the United California Bank will be appointed to act as Trustee. The Trustee will receive all bond proceeds and revenues of the Corporation and will disburse bond funds only as provided in the Indenture.

The primary source of District money to pay base rent and additional rent to the Corporation will be an electorate-authorized \$0.60 per \$100 assessed valuation maximum annual ad valorem tax rate increase levied upon all property in the District subject to taxation by the District for the years 1978 to 1993. The District can, if it chooses, also use legally available money from the District's general fund or from any other sources to pay a portion or all of the required base and additional rent. Base rental payments required to pay principal and interest shall be satisfied before satisfying the requirements of additional rental payments.

Table 8 (page 26) shows projected District tax revenues which indicate that the District's ability to meet District rental payments is anticipated to be more than sufficient to cover rental payments in future years. During 1980/81, the first year rent is due, the \$0.60 per \$100 assessed valuation tax levy of the District (for the purpose of calculation of coverage ratios) will generate estimated tax revenues equal to \$244,000 and will cover the estimated annual base rent payments of \$219,000, 1.11 times. Money estimated to be generated by the tax levy result in an estimated base rental payment coverage of 1.14 during 1981/82, and 1.16 in 1982/83.

Legal Documents

The principal provisions of the basic legal documents, for the convenience of underwriters and investors, are summarized in the following sections of this Official Statement. However, the summarization does not purport to correspond in language, form, sequence or detail to the said legal documents. Therefore, when specific language is required, please refer to the following, which are available upon request from Loeb Rhoades Shearson, Division of Shearson Hayden Stone Inc., 600 Montgomery Street, 47th Floor, San Francisco, California 94111, and at the office of the Trustee:

1. *Site Lease (Project Phase I).* The Site Lease describes the terms and conditions of the lease of land by the District on which the Corporation agrees to construct the Project for lease to the District.
2. *Facility Lease (Project Phase I).* The Facility Lease provides for the construction of the Project and related improvements on the land leased to the Corporation and for their lease to the District.
3. *Indenture.* The Indenture, dated as of September 1, 1979, is the agreement between the Corporation and Trustee for the benefit of bondholders.

THE BONDS

The \$1,825,000 principal amount of Hilmar Unified School District School Building Corporation, Series of 1979 Bonds (herein called the "Bonds"), will be dated September 1, 1979 and will mature serially from September 1, 1981 to and including September 1, 1993. Interest is payable annually the first year on September 1, 1980 and semiannually thereafter on March 1 and September 1 in each year.

Use of Proceeds, Payment of Debt

Bond proceeds will be used for the construction of school facilities, as described in the Project section of this Official Statement, for use by the Hilmar Unified School District, Merced County, California. The Hilmar Unified School District School Building Corporation, a nonprofit corporation, will lease, by a Site Lease, District-owned property and will construct thereon the Project. The Corporation will lease the Project to be constructed by a Facility Lease to the District for a rent sufficient to pay (so long as the District has use and occupancy of the Project) annual principal and semi-annual interest on the Corporation's Bonds and to meet additional expenses incurred by the Corporation. When all of the Corporation's Bonds have been retired, the Leases will expire and the Project, and any remaining assets of the Corporation, will vest in the District.

Legal Opinion

Orrick, Herrington, Rowley & Sutcliffe, of San Francisco, California, will furnish a legal opinion approving the validity of the Bonds. A copy of the legal opinion, certified by the official in whose office the original is filed, will be printed on each Bond.

Tax Exemptions—California and Federal

In the opinion of bond counsel, the interest on the Bonds will be exempt from all present Federal income taxes under existing statutes, regulations and court decisions, and the Bonds will be exempt from all present taxation in California other than inheritance, estate, gift and franchise taxes.

Authority for Issuance of Bonds

The \$1,825,000 Hilmar Unified School District School Building Corporation Series of 1979 Bonds are to be issued pursuant to the General Nonprofit Corporation Law of the State of California (Title 1, Division 2, Part 1 of the California Corporations Code) and to the Indenture dated September 1, 1979 to be entered into between United California Bank, as Trustee and the Corporation.

Synopsis of Security

The Bonds are a general obligation of the Corporation payable from rent received from the District under the terms of the Facility Lease. The Bonds are secured by the Corporation's pledge of its gross revenues and its interest in the site and improvements under the terms of the Site and Facility Leases. The Hilmar Unified School District will agree to pay to the Corporation a base rental under the Facility Lease in an amount sufficient for the timely payment of principal and interest on the Bonds, so long as the Project is available for use and occupancy by it. The District will also pay an additional rental in an amount sufficient to reimburse the Corporation for all administrative costs such as bank trustee fees, annual audit fees and required insurance costs as described in the legal documents and in this Official Statement.

The primary source of District money to pay base rent and additional rent to the Corporation will be an electorate-authorized \$0.60 per \$100 assessed valuation maximum annual ad valorem tax rate increase levied upon all property in the District subject to taxation by the District for the years 1978 to 1993. The District can, if it chooses, also use legally available money from the District's general fund or from any other sources to pay a portion or all of the required base and additional rent. Base rental payments required to pay principal and interest shall be satisfied before satisfying the requirements of additional rental payments.

The Facility Lease will be enforceable according to its terms and the District covenants and is required to include in its annual budget the amount needed for payment of rent. The covenants of the District shall be deemed to be and shall be construed to be duties imposed by law and it shall be the duty of each and every public official of the District to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the District to carry out and perform the covenants and agreements in the Facility Lease agreed to be carried out and performed by the District.

During fiscal year 1978/79, the District collected \$210,000 from its electorate-authorized \$0.60 per \$100 assessed valuation ad valorem tax. Based upon existing data, the District has estimated that the 1980/81 \$0.60 per \$100 assessed valuation will generate an amount sufficient to pay the required base rent and additional rent.

Payment of rent will be made directly to the Trustee for allocation in accordance with the Indenture. Rent payments are, however, subject under

certain conditions to abatement as described in the Official Statement and in the legal documents. The Indenture, Site Lease, Facility Lease and construction contracts which govern the Project have been designed to minimize the possibility of rental abatement and to provide a substitute source to pay principal and interest on the Bonds through a reserve fund, rental interruption insurance, title insurance, earthquake insurance, public liability and property damage insurance, sprinkler system insurance, fire insurance and extended coverage insurance, vandalism insurance and malicious mischief insurance.

Construction of the Corporation portion of the Project will commence following the delivery of the currently offered Bonds, which delivery is anticipated to occur on or about September 26, 1979. The construction contracts require completion of the Project within 330 consecutive calendar days after the signing of the construction contracts. Delay of completion beyond the aforementioned number of consecutive days caused by the non-performance of the contractor is subject to liquidated damages of \$200 per day until and including February 1, 1981. The contractor will be required to pay \$750 for each consecutive calendar day of unexcused delay in completing the Project after February 1, 1981.

Interest on the Bonds for the 12-month period from September 1, 1979 through September 1, 1980 is being funded from Bond proceeds. Semi-annual rent payments are scheduled to begin February 15, 1981 in time to pay interest due on the Bonds on March 1, 1981.

The Contractors are required to post a 100 percent Performance of Contract Bond and a 100 percent Labor and Materials Bond. The Contractors are also required to carry all risk insurance, including insurance against Acts of God, more specifically described hereafter in this Official Statement, during construction and until the buildings have been accepted by the Corporation and the District.

1978 Constitutional Amendment

On June 6, 1978 California voters approved Proposition 13 (the Jarvis-Gann Initiative) which added Article XIII A to the California Constitution. Under one of its provisions, Article XIII A limits the maximum amount of ad valorem tax on real property to 1 percent of the full cash value of such property. The limit does not apply to ad valorem taxes levied to pay interest and redemption charges on any indebtedness approved by the voters prior to July 1, 1978, the effective date of the amendment. Full cash value means the County Assessor's valuation of real property as shown on the 1975/76 tax bill, adjusted to reflect the full cash value of resold property and of newly constructed improvements. The fair market value base may reflect an annual inflationary rate of up to 2 percent, or a reduction based on the consumer price index or comparable data for the area under the taxing jurisdiction.

Supreme Court Validation

On September 22, 1978, the California Supreme Court upheld the validity of Article XIII A against a number of challenges which attacked Proposition 13 as a whole (*Amador Valley Joint Union High School District v. State Board of Equalization*). The Court found that it was premature to rule on the claim that Article XIII A impermissibly interfered with contracts in violation of the U.S. Constitution, stating that such a challenge must come when a specific contract or obligation is impaired. In addition, the Court left open for future decision many other questions regarding the detailed interpretation and implementation of Article XIII A.

Implementing Legislation

Section 1 of Article XIII A limits the maximum ad valorem tax on real property to one percent (1%) of full cash value (as defined in Section 2 of Article XIII A) to be collected by the counties and apportioned according to law. Excluded from this limit is an amount of taxes or special assessments to pay interest and redemption charges on any indebtedness approved by the voters prior to July 1, 1978.

Legislation enacted by the California Legislature to implement Article XIII A (Statutes of 1978, Chapter 292, as amended) provides that notwithstanding any other law, local agencies may not levy any property tax except to pay debt service on indebtedness approved by voters prior to July 1, 1978, and that each county will levy the maximum tax permitted by Article XIII A of \$4.00 per \$100 assessed valuation (based on the prior practice of using 25 percent of full cash value as the assessed value for tax purposes).

Chapter 292, as amended, added Section 2237 to the Revenue and Taxation Code. Section 2237, interpreting what constitutes "indebtedness approved by the voters prior to" July 1, 1978 under Section 1 of Article XIII A, provides that, in addition to the tax of \$4.00 per \$100 assessed valuation which each county shall levy and distribute to local agencies, any school district (among other eligible local agencies) may levy a property tax equal to "the amount needed to make annual payments for the interest and principal on general obligation bonds or other indebtedness approved by the voters prior to July 1, 1978 or the amount levied pursuant to . . . Sections 39308 [and] 39311 . . . of the Education Code." Pursuant to this implementation legislation, the Merced County Tax Collector included the voter-approved lease authorization tax at the rate of \$0.60 per \$100 assessed valuation on 1978/79 tax bills in the District's tax area. There has been no

court test of the validity of Section 2237 as it interprets Section 1 of Article XIII A, and until there is a court decision upholding Section 2237, there is no assurance that the District can continue to collect the \$0.60 tax override approved by the voters on June 6, 1978. If Section 2237 were to be struck down in this respect, the District cannot predict whether it could collect part or all of the tax levy on the ground that Article XIII A unconstitutionally impairs a contract of the District or the Corporation. As noted above, the California Supreme Court did not rule on similar claims in the *Amador Valley* case.

The State Attorney General issued Opinion No. CV78-119 dated April 18, 1979, which concluded that, "Under the provisions of Article XIII A of the California Constitution, school districts may continue to fund new construction through the use of voter-approved bonds and lease-purchase agreements if the indebtedness was approved by the voters prior to July 1, 1978." This opinion is not binding on any court considering the issue, however.

Chapter 292 also contained provisions appropriating a large part of the state's accumulated surplus revenues to be distributed among the state's local government units to replace lost property tax revenues in the 1978/79 fiscal year.

The apportionment of taxes in fiscal years after 1978/79 has been revised pursuant to Assembly Bill 8 (Chapter 282, Laws of 1979), which was signed by the Governor on July 24, 1979. Assembly Bill 8 provides relief funds beginning in fiscal year 1979/80 and is designed to provide a permanent system for sharing state taxes and budget surplus funds with local agencies. Under AB8, cities and counties will receive about one-third more of the remaining property tax

revenues collected under Proposition 13 instead of direct state aid. School districts are expected to receive a correspondingly reduced amount of property taxes, but will be compensated directly by the state and given additional relief. AB8 will not affect the derivation of the base tax levy (\$4.00 per \$100 assessed valuation) and the bonded debt tax rate.

Following is a summary of the major provisions of AB8 as it applies to school financing. The summary is based on the report of an Assembly-Senate conference committee, entitled "AB8 Conference Committee Report, Long-Term Local Government and School Financing," dated July 19, 1979.

Property Tax Revenue: In 1979/80, schools in each county will receive a "base" property tax allocation that is lower than the 1978/79 allocation. This reduction will equal the amount of block grants received by local governments in the county in 1978/79 adjusted for changes in state aid to the county for health services and Aid to Families with Dependent Children. Additional state school aid will replace this reduction in school property tax revenue.

Each school district, community college district, and the county superintendent will receive a share of the county's reduced "base" property tax revenue pool that is proportional to its share of the county's 1978/79 school property tax revenue.

In subsequent years, each school district will receive a base property tax allocation equal to the allocation in the prior year adjusted for growth in assessed valuation (e.g., new construction, change of ownership and 2 percent valuation increase). Assessed value growth will be allocated on the basis of "situs" of each jurisdiction that serves a particular tax code area. Schools and local agencies will share resultant growth in property tax revenue in proportion to their shares of "base" revenues from the tax rate area. Each year's growth allocation becomes a part of each agency's "base" allocation in the following year.

Any school or local agency may elect to refund any part of its annual property tax allocation to taxpayers within its jurisdiction. A school that chooses to refund property tax revenue would not receive state school aid to offset the reduction in property tax revenue.

Revenue Limits: The 1978/79 revenue limit for school districts provided in AB8 is recalculated, equalized and inflated at an average for the state of 8.6 percent to produce 1979/80 revenue limits. Districts spending above average will receive less than the 8.6 percent adjustment; those spending below average will receive more than the 8.6 percent adjustment. Adult education, child care, meals for needy, and development centers for the handicapped are removed from the equalizing squeeze, treated as revenue limit add-ons, and inflated at 7 percent.

In 1979/80 and 1980/81, school districts are assured a minimum increase in total revenues of 2 percent over the prior year. During these years, the declining-enrollment adjustment that is made in accordance with current law is retained.

In 1980/81, an inflation adjustment to each district's revenue limit will range from \$85 to \$150 times the district's Average Daily Attendance, depending upon the District's 1979/80 base revenue limit. Unified districts whose base revenue limits are less than \$1,500 in 1979/80 will receive an inflation adjustment of \$150 times Average Daily Attendance. Districts whose base revenue limits are greater than \$2,000 in 1979/80 will receive \$85 times Average Daily Attendance. Unified districts with base revenue limits ranging from \$1,500 to \$2,000 will receive proportional inflation adjustments between \$85 and \$150 times Average Daily Attendance.

By 1983/84, under this adjustment mechanism, 89 percent of the unified Average Daily Attendance will be located in districts having a variation in expenditures per Average Daily Attendance unit of \$100 or less. Similarly, 94 percent of the unified Average Daily Attendance will be located in districts having a variation in expenditures per Average Daily Attendance unit of \$150 or less. The adjustment mechanism is intended to bring school financing into compliance with the equal protection provisions of the California Constitution, so ordered by a California Supreme Court decision (*Serrano v. Priest*) in 1976. (See the section of this Official Statement entitled "Serrano v. Priest".)

Deflator: AB8 contains a method for reducing the total cost of the financing program in years when state funds are insufficient. Specifically, for 1980/81, if the total General Fund revenues and transfers, plus beginning surplus, as estimated on June 10, 1980, falls below \$20.6 billion by more than \$100 million, then the cost of the law will be reduced by the amount of the shortfall. Fifty percent of the shortfall would be reflected in an across-the-board percentage cut in school revenue limits. The remaining 50 percent would be effected through reductions in homeowner and business inventory exemption reimbursements proportionate to the amount of assistance granted by the law. School grades K through 12 share of the reduction will be reflected in the revenue limit appropriation.

There are many other provisions in AB8 concerning specific educational programs (e.g., summer school, adult education, deferred maintenance of facilities, county offices of education, portable classrooms and other capital outlays and categorical grants).

For a more detailed explanation of this legislation, please refer to AB8 (Chapter 282, Laws of 1979) in its entirety.

<https://archive.org/details/C123313956>

Since the enactment of AB8, the Hilmar Unified School District has determined that based upon its 1978/79 total block grant of \$1,942,738, an estimated increase of 14.5 percent will be realized in the 1979/80 block grant. The total block grant received by the District in a fiscal year is the basis for projections for the budgeted revenues for the next fiscal year.

The total block grant includes the categories of basic and equalization aid, business and homeowners' exemptions, secured and unsecured taxes. The block grant figure for 1979/80 was derived by multiplying the District's estimated base revenue limit of \$1,453.20 per Average Daily Attendance unit for 1979/80 by the estimated second period Average Daily Attendance of 1,530, which results in a 1979/80 base revenue limit of \$2,223,396. An adjustment adding \$1,946 (pertaining to unemployment insurance) was made, bringing the total to \$2,225,342. The total increase of 14.5 percent projected for the 1979/80 block grant is based upon the ratio of the 1978/79 block grant of \$1,942,738 to the 1979/80 block grant figure of \$2,225,342.

Assembly Bill 1488, enacted as Chapter 242, Statutes of 1979, on July 10, 1979, further implements Article XIII A. AB1488 clarifies methods of assessment and collection of property taxation.

Section 2 of Article XIII A defines "full cash value" to mean "the county assessor's valuation of real property as shown on the 1975/76 tax bill under 'full cash value', or thereafter, the appraised value of real property when purchased, newly constructed or a change in ownership has occurred after the 1975 assessment". Subsequent to implementation of Article XIII A, Merced County conducted reappraisals of properties based on change in ownership which in certain cases are invalidated by AB1488.

AB1488 limits the portion of property which can be reappraised to the portion that is transferred. In other cases, properties reappraisable under AB1488 were not reappraised subsequent to Article XIII A. The Merced County Assessor's office reports that it is now in the process of identifying all properties which are reappraisable under AB1488 in preparation for correction of the 1978/79 property tax roll. The County reports that at the present time it can give no estimate of the extent to which reappraisal of properties under AB1488 will affect the 1978/79 roll, and what the loss in revenue to the District, if any, will be.

Senate Bill 17, enacted as Chapter 49, Statutes of 1979, clarified certain permissible assessment practices by California county assessors under Article XIII A. As a result, 1978/79 property tax bases must be lowered and credits will be required of excessive 1978/79 property taxes collected due to county assessors' revisions of 1975/76 full cash values upward in 1978/79, if such revisions were made on parcels reappraised to determine full cash value as of March 1, 1975. The Merced County Assessor's office reports that the county does not anticipate any loss of revenue under provisions of SB17 since they did not reappraise any property which had been reappraised in 1975.

Passage of Proposition 8 on the November 7, 1978 ballot amends Section 2 of Article XIII A of the California Constitution to permit reduction of the "full cash value" base in the event of declining property values caused by damage, destruction or other factors, and to provide that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster. Proposition 8 is not expected to have a significant impact on the District's tax base, unless there is a major natural disaster in the District.

Article XIII A does not affect constitutional or legislative property tax exemptions, including the homeowners' and business inventory exemptions which are reimbursed to local governments by the state under present law.

Assembly Bill 66, however, would affect the business inventory exemption. As of the date of this Official Statement, AB66 had been passed by the State Assembly. Under current state law, the state pays 50 percent of the taxes that are levied against business inventory. If AB66 becomes law as set forth on June 11, 1979 when passed by the State Assembly, the state would reimburse taxing entities 100 percent of taxes due from business inventories. The bill would establish 1978/79 as the base year for business inventory taxes. Thereafter, the taxes due would be increased based upon increases in population and inflation; except for school and community college districts, in which case, the increase would be based on the percentage change in the cost of living, plus the percentage change in the average daily attendance of the District. There would be no additional increase in the amount of tax revenues received as a result of expanded business inventories. AB66 provides that for the 1980/81 fiscal year and fiscal years thereafter, business inventories shall be exempt from taxation and assessors shall no longer assess business inventories. The business inventory exemption in 1978/79 was 7.97 percent of total District assessed valuation. Business inventory exemptions under the secured portion of District assessed valuation amounted to 7.34 percent.

Proposed Government Spending Limitation

A proposed amendment to the California Constitution (Limitation of Government Expenditures—Initiative Constitutional Amendment, commonly referred to as the “Gann Initiative”) will appear as Proposition 4 on the ballot of a special statewide general election on November 6, 1979.

Under the Gann Initiative beginning in 1980/81, the District would have an annual “appropriations limit”, and it would not be able to spend certain moneys in an aggregate amount higher than the “appropriations limit”. The spending of certain moneys would be excluded however from the “appropriations limit”, including debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently approved by the voters. In general terms, the District’s “appropriations limit” would be based on annual appropriations for the prior fiscal year, and it would be adjusted annually to reflect changes in consumer prices and in the District’s average daily attendance. Among other provisions of the Initiative are: if District revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years; and the “appropriations limit” may be changed by vote of the District’s electors for a period of not more than four years.

Since the Gann Initiative is more complex than is indicated by the foregoing incomplete description, the full text of the Initiative will be supplied on request by Loeb Rhoades Shearson, Division of Shearson Hayden Stone Inc., 600 Montgomery Street, 47th Floor, San Francisco, California 94111.

As noted previously, the California Legislature in implementing Proposition 13 has interpreted school district lease financings such as those being undertaken by the District as prior voter-approved indebtedness, and a leasing tax levy such as the District's, used to pay base rentals to the Corporation for debt service on Corporation bonds, has therefore been exempted from the property tax limitation. The Gann Initiative provides, as was previously stated, that debt service on existing or authorized indebtedness will be exempted from the imposed spending limitation. Furthermore, Article 7 states that the Initiative shall not be construed to “impair the ability of the State or of any local government to meet its obligations with respect to existing or future bonded indebtedness”.

Although the above suggests exemption of District base rentals under Project leases from an annual “appropriations limit”, such an assumption is not certain. There are many ambiguities and uncertainties in the Gann Initiative which would require clarification from subsequent legislation or judicial decisions. The District therefore is unable to determine exactly how the Initiative, if approved by the voters and upheld by the courts, would affect its ability to provide services and to meet certain of its financial obligations, including payment of base rentals to the Corporation under the Project lease.

Serrano v. Priest

The pre-existing California system of levying property taxes and applying funds for public school purposes was ruled unconstitutional under the provisions of the California Constitution by a California Superior Court in the case of *Serrano v. Priest*. The California Supreme Court, in a decision dated December 30, 1976, affirmed the judgment of the Superior Court. The Supreme Court decision requires that a new system for financing California primary and secondary schools must be implemented by September 3, 1980. The Superior Court judgment, as affirmed by the California Supreme Court, contains a statement that the existing public school financing system shall continue to operate until an appropriate system, not in violation of the California Constitution’s equal-protection-of-the-laws provision, can be placed into effect.

Chapter 894, Statutes of 1978, was enacted by the California Legislature and signed by the Governor in response to *Serrano v. Priest*. This legislation was designed to place state school finance “substantially” in compliance with the *Serrano v. Priest* decision. Litigation challenging Chapter 894 has been filed and is awaiting trial.

This legislation significantly increased the amount of state money supplied to public school districts having a low local property tax basis, and provided for some equalization of tax moneys by redistributing some tax revenues of school districts having a high per-pupil property tax basis to school districts having a low per-pupil property tax basis. The levy of tax rate increases approved by the voters of school districts for the long-term leasing of public school buildings was not affected by Chapter 894.

The financing method enacted by Chapter 894 was substantially impacted by the passage of Proposition 13 and the legislative response for 1978/79 described in the preceding section.

Under Chapter 894 and the legislation implementing Proposition 13, in 1978/79 the District's financial position allowed it to benefit from increased state support.

Any further change resulting from *Serrano v. Priest* in the sources of funds, including property taxation, applied to the support of public schools, and any effect thereof on the moneys available to the District to pay rentals under the Facility Lease which provides the primary security for the Corporation's bonds, are indeterminable at this time. However, it is not believed that the result of such litigation will affect the validity of the facility lease during its term, even though the result of such further legislation enacted in response thereto may affect the ability of the District to levy the voted leasing tax.

Redemption

Bonds maturing by their terms on or before September 1, 1989 are not subject to redemption prior to their respective stated maturities except as set forth in the Indenture from proceeds of insurance paid for loss or substantial damage to the Project facilities or from the proceeds of eminent domain proceedings. Bonds maturing by their terms on or after September 1, 1990, are subject to redemption prior to their respective stated maturities, at the option of the Corporation, as a whole, or in part in inverse order of maturities (and by lot within each maturity), on any interest payment date on or after September 1, 1989 upon payment of the principal amount thereof and interest accrued thereon to the date fixed for redemption, plus a premium of $\frac{1}{4}$ of 1% of such principal amount for each year or fraction thereof, if any, remaining between the date fixed for redemption and the stated maturity date of the Bonds called for redemption. If the Project shall have been taken in eminent domain proceedings or if proceeds of insurance paid for loss or substantial damage to the Project facilities are available for redemption of the Bonds, redemption shall be at the principal amount and accrued interest thereon to the date fixed for redemption, without premium.

Payment and Registration

Principal (September 1) and semi-annual interest (March 1 and September 1) are payable at the principal office of the Trustee, United California Bank, San Francisco, or at paying agents in Los Angeles, Chicago and New York. First coupon (annual) is payable September 1, 1980. Coupon Bonds in denominations of \$5,000 are exchangeable for a like aggregate amount of fully registered Bonds of the same series and maturity.

Legality for Investment

These Bonds are eligible as security for deposit of public moneys in California.

National Banks

Application has been made to the U.S. Comptroller of the Currency for a ruling that the Bonds are eligible for purchase, dealing in, underwriting, and unlimited holding by national banks. Underwriters may verify the status of the ruling by calling Loeb Rhoades Shearson, Division of Shearson Hayden Stone Inc., Financing Consultant to the Corporation, (415) 982-1961.

Tax Gain, Amortization of Premium

These Bonds will be issued initially by the Corporation at not less than their par value; a taxable gain may accrue on Bonds purchased at a discount. Investors are required under existing regulations to amortize any premium paid thereon.

Title Insurance

A policy of title insurance insuring either the leasehold interest title of the Corporation in the real property described in the Site Lease (Project Phase I) or the title of the District in such real property will be provided by Western Title Insurance Company at or prior to delivery of the Bonds. It will be enforceable for the benefit of the Bondholders in the amount of \$1,825,000.

Sale in California

The Division of Corporation Finance of the United States Securities and Exchange Commission has issued a "no-action" letter to the Corporation stating that the Division of Corporation Finance will not recommend any action to the Securities and Exchange Commission if the proposed bond offering is made without prior compliance with the registration requirements of the Securities Act of 1933 or qualification of the Indenture under which the Bonds are to be issued under the Trust Indenture Act of 1939. The Commissioner of Corporations of the State of California has issued an interpretive opinion stating that the Bonds are exempt from the qualification requirement of Section 25110 of the California Corporate Securities Law of 1968. The Bonds are being offered and sold without registration under the Securities Act of 1933 or qualification of the Indenture under the Trust Indenture Act of 1939, and without qualification under the California Corporate Securities Law of 1968, in reliance upon such "no-action" letter and such interpretive opinion.

Resale in Other States

The purchaser of the Bonds will assume responsibility for taking any necessary action to qualify the Bonds for offer and sale in jurisdictions other than California in which it is desired to offer the Bonds for resale, and for complying with the laws of all jurisdictions on resale of the Bonds, and shall indemnify and hold harmless the Corporation and its officers and directors from any loss or damage resulting from any failure to comply with any such law.

Bid Check

With each bid must be submitted a certified check or cashier's check for \$30,000 drawn on a bank or trust company having an office in San Francisco, California, payable to the order of the Hilmar Unified School District School Building Corporation, which shall be retained by the Corporation if after the award of the Bonds the successful bidder fails to complete the purchase on the terms stated in its bid. Checks of the unsuccessful bidders will be returned by the Secretary of the Corporation. No interest will be paid upon deposits made by any bidder.

CUSIP Numbers

It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such number on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal of a bondholder to accept delivery of and pay for the Bonds in accordance with the terms of the purchase contract. All expenses in relation to the printing of CUSIP numbers on the Bonds shall be paid by the Corporation; provided, however, that the fee of the CUSIP Service Bureau for the assignment of said numbers shall be the responsibility of and shall be paid for by said purchaser.

No-Litigation Certificate

At the time of the delivery the Corporation will furnish a no-litigation certificate certifying that there is no litigation pending concerning the validity of the Bonds.

Official Statement Certificate

The Corporation will deliver to the purchaser of the Bonds a certificate of an official of the District, dated the date of Bond delivery, stating that as of the date hereof, to the best of the knowledge and belief of said official, the Official Statement does not contain an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, and further certifying that the signatory knows of no material adverse change in the condition of the District which would make it unreasonable for the purchaser of the Bonds to rely upon the Official Statement in connection with the resale of the Bonds, and authorizing the purchaser of the Bonds to distribute copies of the Official Statement in connection with the resale of the Bonds.

Estimated Annual Bond Service

Table 1 presents the estimated annual bond service for the Bonds at an assumed interest rate of 7 percent. The first base rental payment, estimated at \$109,500 for a six-month rental period, will be due on February 15, 1981; all subsequent rental payments are due on August 15 or February 15 which is fifteen days before the bond service to which they are applicable becomes due. Table 1 also shows an estimated annual base rent of \$219,000 per year, or \$109,500 for each six-month period when base rent is due and payable.

TABLE 1
HILMAR UNIFIED SCHOOL DISTRICT
SCHOOL BUILDING CORPORATION BONDS, SERIES OF 1979
SCHEDULE OF ESTIMATED ANNUAL DEBT SERVICE AND
ESTIMATED BASE RENTAL

Year	Principal Outstanding	Principal Maturing	Interest Estimated at 7%*		Total Estimated Debt Service	Total Estimated Base Annual Rent‡
			Septem-ber 1	March 1		
1980	\$1,825,000	\$ —	\$127,750†	\$ —	\$ 127,750	\$ —
1981	1,825,000	90,000	63,875	63,875	217,750	219,000
1982	1,735,000	95,000	60,725	60,725	216,450	219,000
1983	1,640,000	100,000	57,400	57,400	214,800	219,000
1984	1,540,000	110,000	53,900	53,900	217,800	219,000
1985	1,430,000	120,000	50,050	50,050	220,100	219,000
1986	1,310,000	125,000	45,850	45,850	216,700	219,000
1987	1,185,000	135,000	41,475	41,475	217,950	219,000
1988	1,050,000	145,000	36,750	36,750	218,500	219,000
1989	905,000	155,000§	31,675	31,675	218,350	219,000
1990	750,000	165,000§	26,250	26,250	217,500	219,000
1991	585,000	180,000§	20,475	20,475	220,950	219,000
1992	405,000	195,000§	14,175	14,175	223,350	219,000
1993	210,000	210,000§	7,350	7,350	224,700	219,000#
			\$1,825,000	\$637,700	\$509,950	\$2,972,650

* Interest estimated at 7% for financial planning purposes.

† To be paid from funded interest from Bond proceeds.

‡ Semiannual base rent for financial planning purposes is estimated at \$109,500 or \$219,000 on an annual base rent basis.

§ Bonds maturing after September 1, 1989 are callable. Bonds are also callable from eminent domain and insurance proceeds at any time as set forth in the Redemption Section of this Official Statement, the Indenture and official Notice of Sale.

It is anticipated that the last rental payment will be made from the Reserve Fund.

THE CORPORATION, TRUSTEE AND FINANCING CONSULTANT

The Corporation

The purpose of the Hilmar Unified School District School Building Corporation (herein called the "Corporation") is to finance the construction and improvement of school buildings for the Hilmar Unified School District, Merced County, California (herein called the "District"). Details relating to the construction and improvements to be currently financed for the District are described in the section titled "The Project".

The following Directors of the Corporation are public spirited citizens and residents of the District:

Durwood C. Tell, *President*
Vernon D. Wickstrom,
Vice President
Phil V. Fanelli, *Treasurer*
Albert Morais, *Secretary*
Richard Jones,
Assistant Secretary

The Corporation is empowered by its Articles of Incorporation to take action in its own name necessary to accomplish its purpose. The Corporation will issue Bonds to finance construction of the Project and will lease the Project to the District. The Corporation functions as an independent entity from the District and is empowered to do all of the following:

1. Borrow money and issue debt instruments;
2. Secure payment or performance of its obligations by pledge, mortgage, transfer in trust, or otherwise;
3. Assume obligations, enter into agreements, and issue and sell its securities;
4. Acquire, hold and dispose of real and personal property; and
5. Make donations for any public purpose of the District.

The Corporation's Directors are prohibited from accepting payment for their services and the Corporation's Articles of Incorporation prohibit the Corporation from engaging in any business or activity other than those incidental to its primary purpose: to render assistance to the District by financing the Project or future similar projects.

The Trustee and Paying Agents

The Indenture names United California Bank as Trustee. The Trustee will receive all Bond proceeds, rent payments, interest income and other income of the Corporation and will administer, invest and disburse such money under the terms of the Indenture into the required interest and redemption fund, reserve fund, construction fund, corporate operation fund and operation and maintenance fund. The Trustee will also act as paying agent for the Corporation and will authenticate all registered Bonds. Coupon Bond paying agents are also United California Bank, Los Angeles, California, Northern Trust Company, Chicago, Illinois, and Manufacturers Hanover Trust Company, New York, New York. Communications to the Trustee should be addressed to United California Bank, Trust Division, 405 Montgomery Street, San Francisco, California 94104.

Financing Consultant

Loeb Rhoades Shearson, Division of Shearson Hayden Stone Inc. has acted as financing consultant to the Corporation concerning the Series of 1979 Bonds and in preparation of the Official Statement. Shearson Hayden Stone Inc. may submit a bid for the Series of 1979 Bonds and, if it is the successful bidder, may purchase the Bonds and resell all or a portion of the Bonds to the public.

TABLE 2
HILMAR UNIFIED SCHOOL DISTRICT SCHOOL BUILDING CORPORATION
SUMMARY OF SOME OF THE PROTECTIVE PROVISIONS FOR BONDHOLDERS*

I. GENERAL BONDHOLDER PROTECTION

- A. Bond reserve fund
 - 1. One-half maximum annual debt service;
 - 2. Initially funded from bond proceeds;
 - 3. Replenished from all moneys available after the deposits required by the interest and redemption fund and operation and maintenance fund.
- B. Firm construction bids
 - 1. Corporation has a firm construction bid of \$1,540,000 in hand.
- C. Voted tax for lease payments
 - 1. A total of \$0.60/\$100 assessed valuation ad valorem tax on all property in the district subject to taxation;
 - 2. The first rent is due on February 15, 1981. Money for this payment will come from taxes levied in 1980/81.
- D. Facility lease
 - 1. Lease requires district to make semiannual base rent payments for use and occupancy of buildings;
 - 2. Lease is enforceable according to its terms;
 - 3. District officials are required by law to budget rent payments;
 - 4. Rent payments are made directly to bank trustee;
 - 5. District may use other legally available funds for rent payments;
 - 6. Various types of insurance including rental interruption, fire and extended coverage, earthquake and liability insurance, are required to minimize any likelihood of default in the event that any or all of the buildings are unavailable for use and occupancy.
- E. General obligation of the corporation
 - 1. Secured by pledge of gross revenues;
 - 2. Base rental payments required for principal and interest have first call on voted tax override moneys.
- F. Orrick, Herrington, Rowley and Sutcliffe opinion
 - 1. Bond counsel will issue a legal opinion approving validity of the bonds;
 - 2. Bond counsel will issue an opinion that the interest payable by the corporation on its bonds is exempt from all present Federal income taxes and State of California personal income taxes.

II. CONSTRUCTION PERIOD BONDHOLDER PROTECTION

- A. Funded interest during construction
 - 1. 12 months' funded interest;
 - 2. Bond reserve fund equal to one-half maximum annual debt service is available for debt service;
 - 3. Construction period 330 days for the project;
 - 4. Delay of completion beyond 330 consecutive calendar days caused by the non-performance of the contractor is subject to liquidated damages of \$200 per day until and including February 1, 1981. The contractor will be required to pay \$750 for each consecutive calendar day of unexcused delay in completing the project after February 1, 1981;
 - 5. Balance of money in construction fund can be used for principal and interest payments;
 - 6. Interest earnings (estimated at \$85,000) augment construction fund.
- B. Contractor's insurance and bond requirements (see pages 15 and 16)
 - 1. Builders' all risk insurance with extended coverage including fire and lightning, vandalism and malicious mischief, sprinkler system leakage and boiler insurance;
 - 2. Earthquake insurance on all structures;
 - 3. 100% labor and materials bond;
 - 4. 100% performance of contract bond.
- C. Project change orders and cost increases
 - 1. Construction bid in hand for \$1,540,000 to complete project;
 - 2. Change orders must be paid for from corporation contingency funds or by district as tenant's improvements.

POST-CONSTRUCTION BONDHOLDER PROTECTION

- A. District required by law to budget rent payments for use and occupancy of buildings.
- B. Bond reserve fund available, equaling one-half maximum annual debt service to be replenished from all available moneys after the deposits required by the interest and redemption fund and the operation and maintenance fund.
- C. Insurance after district accepts project (see pages 9, 14, and 15)
 - 1. Rental interruption insurance (covers estimated reconstruction period plus three months);
 - 2. Fire and extended coverage insurance, including vandalism, explosion, windstorm and other hazards insurance;
 - 3. Earthquake insurance if available on the open market from reputable insurance companies at reasonable cost;
 - 4. Public liability and property damage insurance;
 - 5. Title insurance in full amount of issue.
- D. Voter-authorized maximum of \$0.60/\$100 assessed valuation ad valorem tax levy.

* The contents of this table, among other things, summarize, but do not explain in detail, provisions made to minimize any likelihood of rental abatement and to provide for a substitute source to pay principal and interest. See the Indenture, Facility Lease and other portions of this Official Statement for a more detailed exposition of the protections outlined in this table.

LEGAL DOCUMENTS

The principal provisions of the basic legal documents, for the convenience of investors, are summarized in the following sections of this Official Statement. However, the summarization does not purport to correspond in language, form, sequence, detail or coverage with the Basic Legal Documents to which prospective purchasers of the Bonds are expressly referred in their entirety. Copies of the complete Leases and Indenture are available upon request from Loeb Rhoades Shearson, Division of Shearson Hayden Stone Inc., 600 Montgomery Street, 47th Floor, San Francisco, California 94111, and the office of the Trustee. When specific language is required, please refer to the following appropriate legal documents:

1. *Site Lease (Project Phase I).* The Site Lease describes the terms and conditions of the lease of land by the District on which the Corporation agrees to construct the Project for lease to the District.
2. *Facility Lease (Project Phase I).* The Facility Lease provides for the construction of the Project and related improvements on the land leased to the Corporation and for their lease by the District.
3. *Indenture.* The Indenture, dated as of September 1, 1979 is the agreement between the Corporation and Trustee for the benefit of the Bondholders.

Site Lease (Project Phase I)

The Site Lease provides for the lease of District land to the Corporation on which the Corporation agrees to construct the designated facilities described in the Project section of this Official Statement for lease to the District. The rental for the site will be \$1.00 per year payable on or before February 1 each year. The term

of the Site Lease will commence on the date of recordation of the Lease in the office of the County Recorder of Merced County or on January 1, 1980, whichever is earlier. The Site Lease will terminate on February 1, 1994, unless such term is extended or unless the Site Lease is sooner terminated. The Site Lease cannot be extended beyond February 1, 2004. The Site Lease can be terminated sooner than February 1, 1994 if the Bonds are fully paid. On termination of the Site Lease, all permanent improvements of the Corporation vest in the District.

The Site Lease has been approved in preliminary form by the Corporation. The Corporation shall use the leased premises solely for the purpose of constructing the Project thereon and leasing such premises and the Project to be constructed thereon to the District pursuant to the Facility Lease.

The District will pay any taxes and assessments if such should ever be due on the land and improvements leased by the Corporation. Any moneys received by the District from eminent domain proceedings shall be used for the payment of the Corporation's outstanding Bonds as described in the Indenture section of this Official Statement titled "Eminent Domain" and in the text of the Indenture, the Site Lease and the Facility Lease. A policy of title insurance in the principal amount of the Bonds insuring either the leasehold title of the Corporation in the real property described in the Site Lease or the title of the District in such real property will be provided at or prior to delivery of the Bonds.

Facility Lease (Project Phase I)

The Facility Lease between the District and Corporation provides for the construction of the Project by the Corporation on the land leased to it under the Site Lease and the lease of the Project to the District. For the use and occupancy of the leased premises and the Project, the District agrees to pay the Corporation a semiannual base rent, beginning on February 15, 1981. The District will pay base rent on August 15 and February 15 thereafter in an amount which will be sufficient to meet all of the semi-annual payments of the principal and interest on the currently offered Bonds, as long as the District has use and occupancy of the Project. Furthermore, the Facility Lease requires the District to pay additional rent in amounts necessary to meet administrative costs, insurance costs if any, professional fees and other necessary administrative costs of the Corporation in addition to base rent. Additional rent payments will be billed from time to time together with statements certifying the amount and will be payable by the District within 30 days after receipt of the bill by the District.

Term of the Lease: The Facility Lease, dated as of September 1, 1979, will run from the date of recordation with the County Recorder of Merced County or on January 1, 1980, whichever is earlier, until January 31, 1994, unless such term is extended or unless the Facility Lease is sooner terminated. The Facility Lease cannot be extended beyond January 31, 2004. The Facility Lease can, however, be terminated before January 31, 1994 if the Bonds have been fully paid. It is contemplated that, after construction has successfully terminated, the District will take possession of the leased premises and the facilities constructed thereon on or before February 1, 1981 and will pay its first semiannual rent due on February 15, 1981 for the six-month period commencing on February 1, 1981.

District's Requirement to Pay Rent: The District covenants to take such action as may be necessary to include all rental payments in its annual

budget and to make the necessary annual appropriations for all such rental payments. The District will furnish to the Corporation and the Trustee copies of each proposed and final budget of the District within ten (10) days after the filing or adoption thereof. The covenants on the part of the District contained in the Facility Lease shall be deemed to be and shall be construed to be duties imposed by law and it shall be the duty of each and every public official of the District to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the District to carry out and perform the covenants and agreements in the Facility Lease agreed to be carried out and performed by the District.

The District is to assume responsibility for maintenance and repair of the Project, for the payment of all utility bills and for the reimbursement to the Corporation of all taxes, insurance, assessments and other administrative costs.

Abatement of Rental: As is typical for nonprofit corporation financing in California for cities, counties and school districts, rent can only be paid for use and occupancy of the leased premises and the Project. Therefore, rental is subject to abatement during any period in which there is substantial interference with the use and occupancy of the leased premises and the Project, in proportion to any portion of the Project not available for such use and occupancy. More specifically, the Facility Lease states:

"The rental shall be abated proportionately, during any period in which by reason of any damage or destruction (other than by condemnation which is hereinbefore provided for) there is substantial interference with the use and

occupancy of the Demised Premises and Project Phase I by the District, in the proportion which the initial cost of that portion of the Demised Premises and Project Phase I rendered unusable bears to the initial cost of the whole of the Demised Premises and Project Phase I. Such abatement shall continue for the period commencing with such damage or destruction and ending with the completion by the Corporation of the work of repair or reconstruction. In the event of any such damage or destruction, this lease shall continue in full force and effect and the District waives any right to terminate this lease by virtue of any such damage or destruction."

Since all or a portion of the rental must be abated during any period in which there is substantial interference with the District's use and occupancy of the leased premises and the Project due to damage or destruction, every effort has been made in the Site Lease, Facility Lease, Indenture and the contract documents which govern the construction of the Project to provide additional sources of money to meet principal and interest payments on the currently offered Bonds both during the construction period and after the District accepts the Project and begins paying rent. Table 2 and the following paragraphs show some of the more important protections for the Bondholders set forth in the construction contract, the Indenture, the Site Lease and the Facility Lease.

Insurance: The Corporation shall maintain or cause to be maintained, at all times while any of the Bonds are outstanding the following insurance:

1. Fire and Extended Coverage

Insurance—Insurance against loss or damage to any structures constituting any part of the Project by fire and lightning, with extended coverage and vandalism and malicious mischief insurance and sprinkler leakage insurance and

boiler insurance, and, following completion of construction, earthquake insurance (but as to such earthquake insurance only if such insurance is available on the open market from reputable insurance companies at reasonable cost). Said extended coverage insurance shall, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and other hazards as are normally covered by such insurance. Such insurance shall be in an amount equal to the replacement cost of all structures constituting any part of the Project, excluding the cost of excavations, of grading and filling, and of the land (except that such earthquake insurance may be subject to a deductible clause of not to exceed ten percent of said replacement cost for any one loss and except that such other insurance may be subject to deductible clauses of not to exceed \$50,000 for any one loss), or, in the alternative, shall be in an amount and in a form sufficient, in the event of total or partial loss, to enable the Corporation either to retire all Bonds then outstanding or to restore such structures to the condition existing before such loss.

2. *Liability Insurance*—The Corporation shall procure or cause to be procured, and maintain or cause to be maintained, at all times when any of the Bonds are outstanding, a comprehensive insurance policy or policies in protection of the Corporation and its members, directors, officers, agents and employees and the Trustee, insuring said parties against all direct or contingent loss or liability for damages for personal injury, death or property damage occasioned by reason of the operation of the Project, with minimum liability limits of \$1,000,000 for personal injury or death of each person and \$3,000,000 for personal injury or deaths of two or more persons in each accident or event, and in a minimum amount of

\$200,000 (subject to a deductible clause of not to exceed \$5,000) for damage to property resulting from each accident or event. Such public liability and property damage insurance may, however, be in the form of a single limit policy in the amount of \$3,000,000 covering all such risks. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance carried by the District.

3. *Rental Interruption or use and Occupancy Insurance*—The Corporation shall procure or cause to be procured, and maintain or cause to be maintained, at all times while any of the Bonds are outstanding, rental interruption or use and occupancy insurance to cover loss, total or partial, of the use of any structures constituting any part of the Project as the result of any hazards covered by the all-risk insurance described in the preceding Fire and Extended Coverage Insurance section, in an amount sufficient to pay the total rent for a period of at least the time allowed for construction of such structures by the construction contractor plus three (3) months, except that such insurance need be maintained as to the peril of earthquake only following completion of construction of the Project and only if such insurance is available on the open market from reputable insurance companies at reasonable cost.

Property Insurance: The Contractor shall purchase and maintain property insurance upon the entire work at the site to the full insurable value thereof. The insurance shall include the interests of the Owner, the Contractor, Subcontractors and Sub-subcontractors in the Work and shall insure against the perils of fire and extended coverage and shall include "all risk" insurance for physical loss or damage including, without duplication of coverage, theft, vandalism, and malicious mischief. Such insurance shall be in a company or companies against which the Owner has no reasonable objection.

Any loss insured under the previous paragraph is to be adjusted with the Owner and made payable to the Owner as trustee for the insureds, as their interests may appear, subject to the requirements of any applicable mortgagee clause.

The Contractor shall file a copy of all policies with the Owner before an exposure to loss may occur. If the Owner is damaged by failure of the Contractor to maintain such insurance and to so notify the Owner, then the Contractor shall bear all reasonable costs properly attributable thereto.

If the Owner finds it necessary to occupy or use a portion or portions of the Work prior to Substantial Completion thereof, such occupancy shall not commence prior to a time mutually agreed to by the Owner and Contractor and to which the insurance company or companies providing the property insurance have consented by endorsement to the policy or policies. This insurance shall not be cancelled or lapsed on account of such partial occupancy. Consent of the Contractor and of the insurance company or companies to such occupancy or use shall not be unreasonably withheld.

Each such policy of insurance shall be in form satisfactory to the Trustee appointed by the Corporation in the Indenture securing the issuance of the Bonds and shall contain a clause making all losses payable to the Trustee as its interest may appear.

If the Contractor fails to effect or maintain insurance as above, the Corporation may insure the Corporation's own interest and charge the cost thereof to the Contractor. If the

Corporation is damaged by failure of the Contractor to maintain such insurance, the Corporation may recover as stipulated in the Contract for recovery damages. The policies shall contain a provision that the coverage afforded under the policies will not be cancelled until at least fifteen (15) days after written notice being given to the Corporation.

Furthermore, the building contractor must maintain a Labor and Materials Bond (100 percent), Performance of Contract Bond (100 percent) and pay liquidated damages of \$200 for each consecutive calendar day past the specified 330-day construction period for delay caused by the non-performance of the contractor until and including February 1, 1981, and \$750 per day for each consecutive calendar day of unexcused delay after February 1, 1981.

The Indenture

The Indenture is the agreement between the Corporation and Trustee for the benefit of the Bondholders and is dated as of September 1, 1979. The Indenture sets forth the precise form, execution, registration and exchange of Bonds. It prescribes the Bond redemption provisions, the custody and application of Bond proceeds, revenue fund and application thereof. The Indenture also specifies the covenants, security for deposits, investment of funds, remedies of the Trustee and Bondholders and the role of the Trustee. Furthermore, it delineates procedures for execution of instruments by Bondholders, release and replacement of property, amendment of leases, defeasance and other miscellaneous provisions.

The principal provisions of the Indenture will be summarized in the following paragraphs for the convenience of investors. However, the Indenture itself must be referred to for a complete statement of the rights and obligations of the holders of the Bonds and the Corporation. Since the same subject may be included within the Indenture and the leases described above, the following summary does not follow the same sequence or explanation of each item as presented in each document, nor does it purport to be complete.

Disposition of Bond Proceeds: The Indenture provides that the Trustee will initially establish three funds into which all proceeds from the Bonds shall be placed in the following order:

1. *Interest and Redemption Fund*—An amount, together with accrued interest, which shall be sufficient to pay the interest becoming due and payable on the Bonds on September 1, 1980 will be placed in this fund; then

2. *Reserve Fund*—An amount equal to one-half the maximum annual debt service on the Series of 1979 Bonds will be placed in this fund to be used to pay principal and interest on the Bonds in the event no other funds are available therefor, or at such time said amount could, along with other funds, retire all the outstanding Bonds; and then

3. *Construction Fund*—All remaining Bond proceeds will be set aside in the Construction Fund for the following purposes: (a) construction of the Project and (b) administrative and overhead expenses and other Project-related expenses.

Upon completion of the Project, a certificate of the Corporation together with the architect's certificate stating all of the costs of construction thereof and incidental expenses have been paid and the date of completion of the Project will be delivered to the Trustee. The Trustee shall then transfer any remaining money (less specified costs or expenses subject to dispute) in the Construction Fund to the Revenue Fund.

Corporate Operation Fund: The Trustee must establish and maintain so long as any of the Bonds are outstanding, a special trust fund designated as the "Corporate Operation Fund." The District must deposit \$2,500 in said fund on the date that the Series of 1979 Bonds become outstanding. The Trustee shall thereafter deposit in the Corporate Operation Fund all amounts received from the District as Additional Rental under the Facility Leases. The moneys in the Corporate Operation Fund shall be disbursed by the Trustee upon the Written Request of the Corporation for the payment of administrative costs of the Corporation, including salaries, wages, all expenses, compensation and indemnification of the Trustee payable by the Corporation under the Indenture, fees of auditors, accountants, attorneys or engineers, insurance premiums and all other necessary administrative costs of the Corporation or charges required to be paid by it in order to maintain its corporate existence or to comply with the terms of the Bonds or the Indenture. The Trustee shall, from time to time and as often as necessary to replenish and maintain a balance of \$2,500 in this Fund give notice to the District of any Additional Rental required to be paid pursuant to the Facility Lease.

Application of Revenues: The Indenture requires all of the Corporation's rental revenue and other revenue to be paid to the Trustee and to be placed in the Revenue Fund. Money in the Revenue Fund will be disbursed, applied or set aside by the Trustee in the following order of priority:

1. Interest and Redemption Fund— Commencing on or before February 28, 1981, and on or before August 31 and February 28 of each year thereafter, the Trustee shall deposit in the Interest and Redemption Fund an amount equal to the aggregate half-yearly amount of interest becoming due and payable on the next succeeding interest payment date. In addition, the Trustee shall deposit in the Interest and Redemption Fund an amount equal to one-half the aggregate amount of principal becoming due and payable on outstanding Bonds on the next succeeding Bond maturity date. Base rental payable by the District, under the Facility Lease, will be set at a level sufficient to pay Bond interest and principal as they become due.

In the event of an abatement of rental under the Facility Lease, the District may be reimbursed from the Interest and Redemption Fund for any prepaid rental which applies to the portion of the Project not available for use and occupancy by the District for the period of abatement and for which no other moneys are available.

2. Operation and Maintenance Fund— If at any time the Corporation shall operate the Project, the Trustee shall deposit on or before each February 28 and August 31 in the Operation and Maintenance Fund all amounts which shall be estimated to be required to provide for the payment of all costs of maintenance and operation of the Project during the next six months.

3. Reserve Fund— The Trustee, on or before each February 28 and each August 31 (commencing on or before February 28, 1981), shall deposit in the Reserve Fund (the initial amount equaling one-half the maximum annual debt service will be established from Bond proceeds)

all moneys available after the deposits required by the Interest and Redemption Fund and the Operation and Maintenance Fund have been made. If on the day after each interest payment is due (on March 2 and September 2 of any year) the amount in the Reserve Fund exceeds one-half of the maximum annual debt service on the Bonds, the Trustee shall pay the amount of such excess to the District in accordance with the specified criteria set forth in the Indenture.

Any money in any fund may be invested by the Trustee in time deposits or federal securities which, as provided by law, are secured by collateral security. Interest or profits on investments shall be credited to the account from which the investments are made except that interest or profit on investments of Interest and Redemption Fund moneys and of Reserve Fund moneys received during the construction period are to be transferred to the Construction Fund.

Insurance: The Corporation shall maintain or cause to be maintained, at all times while the Bonds are outstanding, various insurance coverages to minimize any likelihood of rental abatement and to provide a substitute for payment of principal and interest on the Bonds. The major features of these types and amounts of insurance coverages are discussed under the heading "The Facility Lease (Project Phase I)" in this Official Statement.

Eminent Domain: If all or any portion of the trust estate is taken by eminent domain, proceeds from any eminent domain award or any agreement made prior to eminent domain are payable to the Trustee. The Trustee shall use said moneys, if Project operation has not been materially damaged, to repair or rehabilitate the Project or shall treat said moneys as revenues. If eminent domain is material, all proceeds shall be used to redeem the Bonds as provided for in the Indenture.

Issuance of Additional Series of Bonds or Additional Bonds: The Corporation, under provisions of the Indenture may issue additional series of parity bonds secured by increased base rental payments for completion of the Project or for construction of additional school facilities. It is not currently anticipated by the District or Corporation officials that any additional series of bonds or additional bonds will be issued by the Corporation.

Additional Covenants: Some of the important covenants the Indenture sets forth, but not all of the covenants, are summarized below:

1. The Corporation will construct the Project.
2. The Corporation will punctually pay principal and interest on the Bonds.
3. The Corporation will promptly collect all rents and charges due for occupancy or use of the facilities and will confirm that said necessary revenues are budgeted and levied by the District and Merced County.
4. The Corporation will maintain or cause to be maintained the Project in good condition and will keep it in good repair.
5. The Corporation will keep proper books of record and account and will prepare annual financial statements.
6. The Corporation will comply with the Indenture and will faithfully observe and perform all covenants, conditions and requirements of the Indenture.

7. The Corporation will not extend interest payments.
8. The Corporation will only issue additional series of bonds or additional bonds under the provisions of the Indenture and will keep the trust free from other liens, except as may be permitted by the Indenture.
9. The Corporation will promptly take such action as may be necessary or proper to defend title and will comply with requirements for recording.

The aforementioned covenants and other covenants may be examined in detail in the Indenture.

Remedies of Trustees and Bondholders: Article X of the Indenture defines nine events of default to include, in general, the various possible specified types of failures, incapacities or demonstrations of insolvency of the Corporation which might adversely affect the interest of bondholders, and provides remedies therefor.

In each case of default the Trustee may proceed, and upon written request of the holders of 25 percent of bond principal shall proceed, to declare the outstanding bonds and the accrued interest thereon to be due and payable immediately. However, if after this declaration (but only before any judgment or decree has been obtained) the overdue bond principal and interest is paid, then the declaration of default may be rescinded by the holders of at least 60 percent of then outstanding bond principal.

Institution of Legal Proceedings by Trustee: If one or more events of default are continuing, the Trustee may, and upon written request of holders of the majority of bond principal shall, proceed to enforce the rights of the Trustee and bondholders by a suit in equity or action at law.

Rights of Bondholders to Control Proceedings by Trustee. The holders of a majority of outstanding bond principal shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee under this Indenture.

Non-Liability of Individuals. No recourse shall be had for the payment of the principal of or the interest on the bonds or for any claim based thereon or otherwise in respect thereof, or based on or in respect of the Indenture or any indenture supplemental thereto, against any incorporator, member, director, or officer, as such, past, present or future, of the Corporation or of any predecessor or successor corporation, either directly or through the Corporation or otherwise, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty, or otherwise, all such liability being by the acceptance of the bonds and as part of the consideration for the issue thereof expressly waived and released, as provided in the Indenture.

Other Articles of the Indenture: The prospective Bondholder is again expressly referred to the Indenture, Site Lease and Facility Lease for specific language relating to definitions, the Bonds, Redemption, Remedies on Default, the Trustee, Modification of the Indenture, Defeasance and other important matters. The Indenture, Site Lease and Facility Lease are available upon request from Loeb Rhoades Shearson, Division of Shearson Hayden Stone Inc., 600 Montgomery Street, 47th Floor, San Francisco, California 94111, and at the office of the Trustee.

THE PROJECT

Proceeds from the currently offered Bonds will be used to finance construction of physical education and music facilities on the campus of Hilmar High School. The facility will contain a total of 29,694 square feet. The gymnasium will consist of 10,741 square feet, containing, in addition to the main basketball court, two practice cross courts, three volleyball and eight badminton courts. The music room, which includes adequate storage space for band instruments, contains 2,816 square feet. Usage of the remaining 16,137 square feet includes wrestling-gymnastics and weight rooms and boys and girls locker rooms, together with coaches' offices, a lobby and snack bar. Exhibit A of the Site Lease sets forth the legal description of the site to be leased to the Corporation by the District for construction of the Project.

The building will be located in the campus center. The road providing access leads from a main thoroughfare, Lander Avenue, and a paved parking area is adjacent to the road. In addition to its use as a physical education facility, the building will serve as a multi-use gathering facility and will be utilized as a community center when not in use by the school.

The building complies with requirements of the California Energy Commission and the provisions of the office of the State Architect Structural and Physically Handicapped Law.

The gymnasium provides a regulation basketball court to replace the existing non-regulation sized court. The design specifications include folding bleacher seating for 1,110 people. The music room will be used principally for choral and instrumental music and can serve as a classroom when not in use for music practice. The building includes five handball courts along one exterior wall of the gymnasium.

Structural design of the facility calls for exterior walls and columns of concrete, with the tilt-up method of construction to be used. Interior walls generally will be concrete block. The roof system is to be steel and wood roof framing with plywood diaphragm. The roof covering will be fire retardant composition shingles of reinforced fiberglass. All floors are to be concrete with the exception of the gymnasium floor, which will be spring-type maple flooring and the shower-locker and restrooms which will be ceramic tile. Ceramic tile is used on walls in showers and locker areas and restrooms. Interior finish specifications include spray-on acoustic material on the ceiling and upper walls in the gymnasium, wrestling-gymnastics and weight rooms. Acoustic tile will be applied to walls and the suspended plaster ceiling in the music room and lobby.

The shower and locker areas have hot air radiant floor heating which dries the floor readily after use and reduces overall maintenance.

The heating is provided by warm air furnaces through a ducted system and the cooling is by evaporative coolers, except in offices where air conditioning is provided and all systems are automatically controlled.

On July 24, 1979, the District awarded a contract to Gentz Construction for preliminary earthwork. Gentz Construction, the lowest competitive bidder among three bidders, submitted a bid of \$30,993. This amount will be paid from District funds.

Commencement of construction of the Corporation portion of the construction project will occur after completion of the preliminary earthwork construction and delivery of Bonds by the Corporation and the receipt of Bond proceeds. The construction contract to be entered into by the Corporation with C. T. Brayton & Sons, Inc. of Escalon, California, requires completion of the Project in 330 consecutive calendar days. Delay of completion of the Project beyond 330 consecutive calendar days caused by non-performance of the contractor is subject to liquidated damages of \$200 for each consecutive calendar day until and including February 1, 1981. The contractor will be required to pay \$750 for each consecutive calendar day of unexcused delay in completing the project after February 1, 1981.

C. T. Brayton & Sons, Inc. submitted the lowest construction bid among three bids for the Project. Incorporated on September 1, 1969, with Contractor's License No. 257952, and offices at 1820 Jackson Avenue, Escalon, California 95320, the firm's principal officers are as follows: Mary Lou Brayton, President; Robert M. Brayton, Vice President; and Donald F. Brayton, Secretary-Treasurer.

The company's principal bank activities have been with Central Bank, Escalon, California, while the firm of Jack Gatto, Certified Public Accountant, Manteca, California, prepares annual company financial statements. Bonding for the Project will be with Safeco Insurance Company of America.

Use of Bond Proceeds

Table 3 is an estimate of the use of bond proceeds from the currently offered issue. Funds obtained from the 1978/79 tax override and all tax levies prior to the first rent payment due on February 15, 1981 will be utilized together with bond proceeds and investment income earned during the construction period to finance the Project. Bond proceeds and moneys derived from the 1978/79 and 1979/80 District tax override prior to the first rent payment are anticipated to be fully sufficient to meet all Project costs including architect's fees, purchase of equipment, state fees, utility fees, and other legal Project-related costs.

TABLE 3
HILMAR UNIFIED SCHOOL DISTRICT
SCHOOL BUILDING CORPORATION BONDS, SERIES OF 1979
USE OF BOND PROCEEDS

Construction contract	\$1,515,000
Alternate – handball courts*	18,500
Alternate – folding partitions*	6,500
Total Construction Contract	\$1,540,000
Construction contingency†	\$ 76,000
Administration and overhead‡ (including professional services, trusteeship, printing, title insurance and miscellaneous expenses)	80,000
Available for funded interest	128,000
Bond reserve fund	111,000
Less: Interest earnings	
1. Funded interest	\$11,000
2. Reserve fund	9,000
3. Construction fund	65,000 (85,000)
Less: District cash contribution to project*	(25,000)
Par Value of Bonds to be Issued	\$1,825,000

* The District will deposit with the trustee, at the bond closing, \$25,000 to pay for the inclusion of the alternates within the Corporation construction contract.

† Available for contingencies and change orders, if any. District will pay for soils and construction tests, QSA fees, architect's fees, inspection costs, and furniture and equipment with District tax override money levied and collected prior to the first rent payment on February 15, 1981.

‡ Architect's total project-related fee is approximately \$132,134, which is to be paid by the District.

THE DISTRICT

The Hilmar Unified School District was unified by vote in 1949. Its history began with the establishment of Fairview Elementary School in 1864, expanding with the formation of various districts through the early 1900's and evolving ultimately into the present facilities, the Merquin and Elim Elementary Schools and Hilmar Junior-Senior High School.

The District covers approximately 107 square miles in the northwestern portion of Merced County in the highly agriculturally productive San Joaquin Valley. The Elim Elementary School and Hilmar Junior-Senior High School are located in the community of Hilmar while Merquin Elementary School is located six miles away in Stevenson. Hilmar is approximately 100 miles southeast of San Francisco and 300 miles north of Los Angeles.

The District purchased in December 1978, 41.5 acres of land adjacent to the District. While the land was purchased as a future school building site, the property presently contains a producing vineyard and a three bedroom residence. Rent is paid to the District by the tenants.

The District is governed by a Board of Trustees whose seven members are elected for staggered terms of four years. Mr. G. Eldon Strom, who oversees the administration of the District's operations, has been District Superintendent for three years. Mr. Strom is a graduate of Hilmar High School and has been employed by the District for 26 years as teacher, principal and superintendent. The District's staff includes 75 certificated personnel and 59 classified employees. The current pupil-teacher ratio is 21-1.

Enrollment figures for the District have remained relatively stable for the past five years. In 1973/74, the average daily attendance rose to over 1,400 and, as shown in Table 4, has risen to 1,463 in 1978/79.

On June 6, 1978 a majority (63%) of the District's voting electorate authorized an annual maximum override tax increase totaling \$0.60 per \$100 assessed valuation to finance school facilities described in the Project section of this Official Statement.

TABLE 4
HILMAR UNIFIED
SCHOOL DISTRICT
AVERAGE DAILY ATTENDANCE

Year	Number
1974/75	1,435
1975/76	1,452
1976/77	1,428
1977/78	1,407
1978/79	1,463

Source: Hilmar Unified School District.



Hilmar Unified School District. Copyrighted map, courtesy National Automobile Club.

DISTRICT FINANCIAL DATA

Assessed Valuation and Property Taxes

Property in the Hilmar Unified School District is assessed by the Merced County Assessor, except for public utility property which is assessed by the State Board of Equalization. All ad valorem taxes levied on property in the District are due at the same time as and are based on the same rolls as county taxes. Ad valorem taxes on secured and utility property are payable on November 1 and February 1 of each fiscal year and become delinquent on December 10 and April 10, respectively. Taxes on unsecured property are due on March 1. If unpaid as of July 31, they are delinquent August 31 at 5:00 p.m.

Under California law, two types of exemptions from ad valorem taxes are provided. One exempts 50 percent of the value of business inventories from ad valorem taxes. The other provides for an exemption of \$1,750 of the assessed valuation of an owner-occupied dwelling if the owner files for the exemption. Revenue estimated to be lost to each taxing entity as a result of such exemptions is fully reimbursed to the taxing entity from state funds. The reimbursement is based upon total taxes which would be due on the assessed valuation of the property qualifying for these exemptions, without allowance for tax collection delinquencies.

Assembly Bill 66, which was passed by the California State Assembly on July 11, 1979 and is now being heard by the Senate, would affect the business inventory exemption. Under current law, the state reimburses the District for 50 percent of the taxes levied against business inventories. Assembly Bill 66 would establish 1978/79 as the base year for inventory taxes and inventory taxes due thereafter would be adjusted based upon increases in a taxing area's population

and inflation, except for school and community college districts, in which case the increase would be based on the percentage change in the cost of living, plus the percentage change in the average daily attendance of the district. Assembly Bill 66 would allow no additional increase in the amount of tax revenues received as a result of subsequent business inventory expansion in the District. (See the section entitled "1978 Constitutional Amendment" in this Official Statement for further discussion of AB66.)

The District's business inventory and homeowners' exemptions totaled \$4,703,840 in fiscal year 1978/79. Total business inventory exemptions in 1978/79 were \$3,017,876, or 7.97 percent of total assessed valuation. Table 5 shows the components of the District's assessed valuation.

On June 6, 1978, California voters approved Proposition 13, commonly known as the Jarvis-Gann Initiative, which added Article XIII A to the California Constitution. Article XIII A defines full cash value to mean "the County Assessor's valuation of real property as shown on the 1975/76 tax bill under 'full cash value', or

thereafter, the appraised value of real property when purchased, newly constructed or a change in ownership has occurred after the 1975 assessment period. All real property not assessed up to the 1975/76 tax levels may be reassessed to reflect that valuation." The amendment thus establishes the 1975/76 assessed valuation as the base for property tax purposes. The value can be adjusted in subsequent years by a 2 percent inflation factor, by the cost of new construction and by changes in value evidenced on resale of property.

TABLE 5
HILMAR UNIFIED SCHOOL DISTRICT
ASSESSED VALUATIONS

	1975/76	1976/77	1977/78	1978/79
Local secured	\$17,769,870	\$20,224,800	\$22,506,000	\$30,568,650
Utility	533,060	698,600	829,110	1,064,530
Unsecured	761,990	926,060	1,211,120	1,527,350
Business inventory exemptions	1,631,970	2,286,790	2,105,440	3,017,870
Homeowners' exemptions	1,513,700	1,533,190	1,665,710	1,685,970
Totals	\$22,210,590	\$25,669,440	\$28,317,380	\$37,864,370

Source: Office of the Auditor-Controller, County of Merced, California.

Table 7 contains a ten-year history of the District's assessed valuation, secured tax levies and delinquencies. Assessed valuation increased 168 percent during this ten-year period. Assessed valuation increased almost 34 percent from 1977/78 to 1978/79. The Merced County Assessor's office reports that prior to passage of Proposition 13, Merced County operated under a cyclical reappraisal program in which approximately 20 percent of the county was reappraised each year. The Hilmar area had last been reappraised in 1973.

In order to comply with requirements of Proposition 13, properties were reappraised to reflect March 1, 1975 values. The 1978/79 roll reflects reappraisal of properties to March 1, 1975 values.

Senate Bill 17, enacted as Chapter 49, 1979 Statutes, sets the recorded 1975/76 assessed value as the base year for property valuation, if different from the 1974/75 assessed value, unless contested by the county assessor. The Merced County Assessor's office reports that no loss of revenue to the county is anticipated under SB17 as the county did not reappraise any property which had been reappraised in 1975.

Assembly Bill 1488, enacted as Chapter 242, 1979 Statutes, clarifies methods of new assessment, treatment of damaged property assessments, reimbursement of property taxes, and definitions of change in ownership.

The Merced County Assessor's office reports that subsequent to passage of Proposition 13, certain properties in the county which had undergone a change in ownership since the 1975 assessment were reappraised to reflect their value at the time of transfer of ownership. Under AB1488, certain of these assessments are invalid. Also reappraisable under AB1488 are certain changes in ownership of property which were not subject to reappraisal under Proposition 13. The county is now in the process of identifying properties which are reappraisable under AB1488 in order to correct the 1978/79 property tax roll.

The County reports that at the present time it can give no estimate of the extent to which reappraisal of properties under AB1488 will affect the 1978/79 property tax assessments and what the loss in revenue to the District, if any, will be.

Tax Rates, Levies and Delinquencies

Proposition 13 (now Article XIII A of the California Constitution) limits any ad valorem tax on real property to one percent of full cash value. The limitation does not apply to ad valorem taxes or special assessments to pay the interest and redemption charges on indebtedness approved by voters prior to July 1, 1978.

Table 6 presents a breakdown of the tax rate by taxing entity for Tax Code Area 75-01, the largest tax code area in the District with a 1978/79 assessed valuation of \$9,381,510, comprising almost 25 percent of total District assessed valuation. A comparison between fiscal years 1977/78 and 1978/79 reveals the impact of Proposition 13 on the tax rate within the District. In 1977/78 the combined tax rate of \$9.60 was more than double the 1978/79 rate of \$4.71.

As shown in Table 7, District secured tax delinquencies from 1969/70 through 1977/78 ranged between 1.53 percent and 3.24 percent, while averaging 2.36 percent. The secured tax apportionment for 1978/79 is also shown in Table 7. Legislation implementing the provisions of Proposition 13 provided that during the 1978/79 fiscal year, property taxes levied by each county be distributed to taxing agencies within the county in proportion to their average share of property taxes levied in certain previous years. In 1978/79, Merced County's tax levy apportionment to the Hilmar Unified School District was a total of \$551,395, a 76 percent decrease from the secured tax charge of 1977/78, reflecting the substantial impact of the tax limitation amendment.

TABLE 6
HILMAR UNIFIED
SCHOOL DISTRICT
TAX CODE AREA 75-01

	1978/79	1977/78
County	\$4.00	\$3.15
Fire	—	.43
Maintenance	—	4.23
Bond	.10	.13
Junior college maintenance	.01	.79
Equalization	—	.19
Special services	—	.48
Mosquito abatement	—	.12
Cemetery	—	.08
District tax override*	.60	—
Total	\$4.71	\$9.60

* On June 6, 1978, Hilmar Unified School District voters approved a \$0.60 maximum annual tax override levy to construct school facilities to be financed by the currently offered bonds.

Source: Office of the Auditor-Controller, County of Merced.

The apportionment of tax levies in fiscal years after 1978/79 has been revised pursuant to Assembly Bill 8, signed by the Governor on July 24, 1979. Under AB8, cities and counties will receive increased property taxes instead of direct state aid. School districts will receive a correspondingly reduced amount of property taxes, but will receive state funds to replace this revenue source. (For further discussion of AB8, see the "1978 Constitutional Amendment" section of this Official Statement.)

Base Rental: Base rent in an amount sufficient to pay all principal and interest on the \$1,825,000 currently offered Bonds will be paid by the District to United California Bank, Trustee for the Corporation. The District's major source of revenue for base rent will be a voter-authorized ad valorem tax totaling \$0.60 per \$100 assessed valuation on all District taxable properties.

The District must satisfy base rent requirements before satisfying the requirements of additional rental. The District Board of Trustees has the legal authority to make up any difference between the amount of money the \$0.60 ad valorem tax rate will generate and the required base rent and additional rent from the general fund of the District or from other legally available District funds.

The Board of Trustees will covenant, in the Facility Lease to be entered into by it, that it shall take such action as may be necessary to include all such rental payments in its annual budget and shall make the necessary annual appropriations for such rental payments. The covenants on the part of the District, as set forth in the Facility Lease section of this Official Statement and as described more fully in the Facility Lease, shall be deemed to be and shall be construed to be duties imposed by law and it shall be the duty of each and every public official of the District to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the District to carry out and perform the covenants and agreements in the Facility Lease agreed to be carried out and performed by the District.

TABLE 7
HILMAR UNIFIED SCHOOL DISTRICT
ASSESSED VALUATIONS, SECURED TAX LEVIES
AND DELINQUENCIES

Year	Assessed Valuations	District Secured Tax Levy	Delinquent June 30	
			Amount	Percent
1969/70	\$14,143,810	\$ 969,463	\$28,013	2.90%
1970/71	15,506,940	1,310,485	37,391	2.85
1971/72	16,192,530	1,372,162	34,181	2.49
1972/73	17,222,810	596,900*	10,508	1.76
1973/74	20,641,280	1,510,898	23,044	1.53
1974/75	22,957,720	1,798,378	58,287	3.24
1975/76	22,210,590	1,906,654	46,708	2.45
1976/77	25,669,440	2,088,240	51,255	2.45
1977/78	28,317,380	2,318,789	38,285	1.66
1978/79	37,864,370†	551,395	n.a.	n.a.

* 1972/73 secured levy reflects District tax rate only, as compiled by Merced County in that year.

† District assessed valuation increased 33.7% from 1977/78. Merced County had historically assessed on a cyclical basis with the Hilmar area last being assessed in 1973. According to Article XIII A, all property subject to general property taxation (unless such property has changed ownership or undergone new construction) must be reassessed to reflect March 1, 1975 values. Therefore, the 1978 District tax roll reflected the March 1, 1975 values.

Source: Office of the Auditor-Controller and Office of the County Assessor, County of Merced.

It is currently estimated that base rent payments will be approximately \$109,500 semiannually or about \$219,000 annually. For the purpose of calculation of coverage ratios, as illustrated in Table 8, the \$0.60 per \$100 assessed valuation tax levy could generate revenues of about \$236,000 in 1979/80, or approximately 1.08 times the estimated \$219,000 annual rent payment. Multiplying the 1980/81 assessed valuation by \$0.60 per \$100 assessed valuation and assuming 99 percent tax collection, yields about \$244,000, 1.11 times the estimated first full year's base requirement. Table 8 also shows the projected assessed valuation data, estimated interest earnings on the Reserve Fund and an estimated annual coverage ratio (money available for base rent payments as a ratio to the estimated base rent requirements, assuming 7 percent interest).

As illustrated in Table 8, coverage ratios are anticipated to increase annually if assessed valuation grows in the future at a rate reflecting the 2 percent permissible under Article XIII A of the California State Constitution.

Since interest will be funded from bond proceeds for the first 12 months to cover all interest payments due on the Bonds on and before September 1, 1980, tax override money collected during fiscal years 1978/79 and 1979/80 will be available to pay the architect's fees and to cover other legal Project expenditures. Funds to meet the first semiannual base rent payment will be set aside by the District during fiscal year 1980/81 to make the first base rent payment which will be due on February 15, 1981.

Assessed valuation growth over time would allow for reduction of the tax override tax rate while providing full coverage of District base and additional rent obligations. Decreases in District assessed valuation from 1978/79 levels, however, could adversely affect the District's ability to meet base rental requirements from the \$0.60 per \$100 assessed valuation voter-authorized tax override.

TABLE 8
HILMAR UNIFIED SCHOOL DISTRICT
HISTORICAL AND PROJECTED ASSESSED VALUATION,
TAX OVERRIDE AND COVERAGE RATIOS

Fiscal Year	Historical and Projected Assessed Valuations	Historical and Projected Assessed Valuation Growth*	Maximum Ad Valorem Tax Rate per \$100 Assessed Valuation†	Estimated Revenue for Coverage Purposes From Tax Override‡	Estimated Base Rent at 7%	Estimated Annual Coverage Ratio	Estimated Interest Earnings on Reserve Fund at 7%
1972/73	\$17,222,810	6.4%	—¢	\$ —	\$ —	—%	\$ —
1973/74	20,641,280	19.9	—	—	—	—	—
1974/75	22,957,720	11.2	—	—	—	—	—
1975/76	22,210,590	-3.3	—	—	—	—	—
1976/77	25,669,440	15.6	—	—	—	—	—
1977/78	28,317,380	10.3	—	—	—	—	—
1978/79	37,864,370	33.7	—	—	—	—	—
1979/80	39,757,589	5.0	60	236,000	219,000\$	1.08	7,700
1980/81	41,000,000	2.0	60	244,000	219,000	1.11	7,700
1981/82	42,000,000	2.0	60	249,000	219,000	1.14	7,700
1982/83	43,000,000	2.0	60	255,000	219,000	1.16	7,700
1983/84	44,000,000	2.0	60	261,000	219,000	1.19	7,700
1984/85	45,000,000	2.0	60	267,000	219,000	1.22	7,700
1985/86	46,000,000	2.0	60	273,000	219,000	1.25	7,700
1986/87	47,000,000	2.0	60	279,000	219,000	1.27	7,700
1987/88	49,000,000	—	60	291,000	219,000	1.33	7,700

* Assessed valuation growth projected at 5% for 1979/80 is based on Merced County Assessor's estimate. Projected growth in assessed valuation of 2% per year for subsequent years is based on the inflationary rate prescribed by Article XIII A of the California Constitution.

† The District levied \$0.60 per \$100 assessed valuation during 1978/79 and during 1979/80 to pay budgeted project expenses. The District anticipates levying \$0.60 in 1980/81 and ensuing years to enable the District to have sufficient reserves for base rent payments.

‡ Estimated annual revenue from tax override assumes 99% tax collections on each year's total assessed valuation.

\$ First semiannual base rent payment is due February 15, 1981 during fiscal year 1980/81 (estimated at \$109,500).

Additional Rental: The Facility Lease requires the District to pay additional rent, after first satisfying base rental payments, in an amount sufficient to pay Corporation administrative costs, insurance premiums, professional expenses, taxes and assessments, salaries and wages and other charges required to maintain the Corporation's existence or to comply with the terms of the Bonds or of the Indenture. Sources of funds to pay additional rent include the \$0.60 per \$100 assessed valuation tax override money in excess of the amount needed for base rental payments, District general fund moneys, and other revenues.

District General Fund Revenues and Expenditures, Statement of Operations and 1979/80 Adopted Budget

Table 9 presents a five-year summary for fiscal years 1974/75 through 1978/79 of District general fund income and expenditures as reported in annual audits of the District and by the Merced County Department of Education. Table 10 presents a statement of operations for fiscal years 1974/75 through 1978/79. The District's 1979/80 adopted general fund budget is shown in Table 11.

According to the District's auditor, C. E. Hillberg, Certified Public Accountant, Turlock, California, the financial statements of the District present fairly the financial position of the District in conformity with accounting procedures prescribed by the State of California, except records of investment in real property do not currently conform to the Uniform System of Accounting for real property as proposed by the California Department of Education. California Property Record Systems of Los Gatos, California is currently performing an inventory analysis for the District and will computerize records, setting up a method of recording which will conform to the state's requirements.

TABLE 9
HILMAR UNIFIED SCHOOL DISTRICT
STATEMENT OF INCOME AND EXPENDITURES
GENERAL FUND

	1974/75	1975/76	1976/77	1977/78	1978/79
REVENUES					
District income (includes property taxes)	\$ 804,727	\$ 870,004	\$ 883,067	\$ 1,064,678	\$ 554,613
Federal income	8,553	8,706	13,617	68,284	76,682
State income	602,631	788,140	739,158	964,786	1,753,055
County income	61,950	80,295	96,403	204,605	6,621
Transfers	40,000	—	88,331	9,462	—
Total Revenue	\$1,517,861	\$1,747,145	\$1,820,576	\$2,311,815	\$2,390,971
EXPENDITURES					
Certificated salaries	\$ 867,587	\$ 985,008	\$ 1,036,504	\$ 1,128,232	\$ 1,303,281
Classified salaries	189,519	217,280	230,734	264,309	303,086
Employee benefits	117,012	150,954	198,169	241,852	320,253
Books, supplies, transportation and equipment	142,701	129,589	138,196	131,838	119,174
Contract services and other operating equipment	67,035	69,289	97,605	256,885	121,130
Total Current Expenditures	\$1,383,854	\$1,552,120	\$1,701,208	\$2,023,116	\$2,166,924
Capital outlay	\$ 57,651	\$ 149,398	\$ 64,029	\$ 79,830	\$ 102,252
Transfers	66,138	9,514	88,711	221,298	115,474
Total Expenditures	\$1,507,643	\$1,711,032	\$1,853,948	\$2,324,244	\$2,384,650

Source: Hilmar Unified School District Audited Financial Statements for fiscal years 1974/75 through 1977/78; fiscal year 1978/79, Merced County Department of Education.

TABLE 10
HILMAR UNIFIED SCHOOL DISTRICT
STATEMENT OF OPERATIONS 1974/75-1978/79

	1974/75	1975/76	1976/77	1977/78	1978/79
Surplus and reserves available July 1	\$ 170,178	\$ 180,396	\$ 216,509	\$ 181,885	\$ 168,178
Accounts receivable adjustment	—	—	(1,252)	(1,278)	—
Total receipts for year	1,517,861	1,747,145	1,820,576	2,311,815	2,390,971
Total	\$1,688,039	\$1,927,541	\$2,035,833	\$2,492,422	\$2,559,149
Total expenses and transfers	\$1,507,643	\$1,711,032	\$1,853,948	\$2,324,244	\$2,384,650
Year-End Surplus	\$ 180,396	\$ 216,509	\$ 181,885	\$ 168,178	\$ 174,499

Source: Hilmar Unified School District Audited Financial Statements for fiscal years 1974/75 through 1977/78; fiscal year 1978/79, District Unaudited Financial Statement and Merced County Department of Education.

TABLE 11
HILMAR UNIFIED SCHOOL DISTRICT
GENERAL FUND REVENUES, EXPENDITURES AND FUND BALANCES
1979/80 ADOPTED BUDGET

Beginning fund balance*	\$ 127,347
REVENUES	
Federal income	\$ 77,322
State income	2,249,237
County income	10,000
Local income (includes District property taxes)	400,695
Incoming transfers (other tuition)	4,000
Total Revenue	\$2,741,254
Net beginning balance and revenue	\$2,868,601
EXPENDITURES	
Certificated salaries	\$1,408,986
Classified salaries	335,033
Employee benefits	329,808
Books, supplies and equipment replacement	143,567
Contract services and other operating expenses	124,334
Sites, buildings and new equipment	184,395
Total Expenditures	\$2,526,123
Other outgo (outgoing tuition)	\$ 121,000
Total expenditures and other outgo	\$2,647,123
Net ending balance	\$ 221,478

* Beginning balance differs from the year-end surplus shown for 1978/79 because of variations in school districts' and auditors' accounting procedures; the District accounting procedure reflects current liabilities and receivables.

Source: Hilmar Unified School District 1979/80 Adopted Budget.

State and Federal Aid

The District staff coordinates all state and Federal programs available to the District. District receipts from the state totaled \$964,786 in 1977/78 of which \$631,935, or 65.5 percent, was under the principal apportionment for basic and equalization aid (including physically handicapped, educationally handicapped and mentally retarded); special purpose apportionment (includes transportation, educationally disadvantaged and early childhood education) was \$164,189; tax relief subventions totaled \$160,270, while the remaining income was for instructional materials (\$652) and driver training (\$7,740). Federal aid for 1977/78 reached \$68,284, or 2.95 percent of total District revenue.

In 1978/79 the District receipts from the state totaled \$1,753,055. The District's 1978/79 General Fund revenues shown in Table 9 reflect the changes in school district funding in accordance with Proposition 13 implementation legislation.

The District's 1979/80 budget reflects appropriations which the District anticipates receiving under the provisions of Assembly Bill 8 which is discussed in the section of this Official Statement entitled "1978 Constitutional Amendment".

Debt Capacity

No California Unified School District can enter into a facility lease agreement as currently contemplated if, at the time of entering into the lease, 50 percent of any remaining rental payments on all other prior lease agreements, 50 percent of the rental payments on the Project to be constructed from proceeds of the currently offered Bonds, and 100 percent of the total amount of District bonded indebtedness outstanding, as of the delivery of the currently offered Bonds, is greater than 12.5 percent of the District's taxable property as shown in the last equalized assessment of the county in which the District is located. Utilizing the 12.5 percent maximum debt capacity standard, an estimate of the Hilmar Unified School District debt capacity is about \$4,733,046. The District's outstanding general obligation bond debt is \$401,000 while the District has no prior lease obligation. It is estimated that 50 percent of the District's lease obligation relating to the currently offered Bonds will be approximately \$1,840,750. Consequently, the District will be approximately \$2,892,296 under its total estimated legal maximum lease rental debt capacity as of the sale and successful delivery of the currently offered Bonds.

Direct and Estimated

Overlapping Debt

Table 12 presents a statement of the District's direct and overlapping bonded debt. The District, after sale of the currently offered bonds, will have no direct authorized but unsold debt. The District has no State School Aid debt.

TABLE 12
STATEMENT OF DIRECT AND ESTIMATED OVERLAPPING DEBT*

1979 estimated population			5,400
1978/79 assessed valuation			\$37,864,370†
Entity	Percent Applicable		Debt Applicable August 1, 1979
	100.	%	\$2,226,000‡
Hilmar Unified School District	100.	%	\$2,226,000‡
Yosemite Community College District	2.312		6,126
Turlock Irrigation District	9.536		2,836,483§
Hilmar County Water District	100.		436,500
Total Gross Direct and Overlapping Bonded Debt			\$5,505,109
Less: Turlock Irrigation District (100% self-supporting from power revenues)			2,836,483
Total Net Direct and Overlapping Bonded Debt			\$2,668,626
Ratio to			
Assessed Valuation		— %	Per Capita
Assessed valuation		— %	\$7,012
Direct debt		5.88	412
Net direct and overlapping debt		7.05	494
Gross direct and overlapping debt		14.54	1,019
Share of authorized and unsold bonds: Hilmar County Water District			\$50,000

* Compiled by California Municipal Statistics, Inc.

† Before business inventory and homeowners' exemptions.

‡ Includes the \$1,825,000 principal amount of currently offered bonds.

§ Includes District's share of \$1,900,000 general obligation bonds sold on July 24, 1979 which was \$181,184.

State Teachers' Retirement System

The District participates in the State Teachers' Retirement System ("S.T.R.S."), which operates under provisions of the State Education Code. The District's contribution to S.T.R.S. for fiscal year 1977/78 amounted to \$80,072. Employees contributed 8.0 percent of earnings, while the District's percentage of applicable member earnings was 7.2 percent. As reported in the State Teachers' Retirement System annual report, dated June 30, 1978, there were approximately 335,100 active and inactive members of S.T.R.S. and 75,351 benefit recipients at June 30, 1978. The net unfunded obligation of the system as of June 30, 1978 was calculated at \$10,904,000,000. Membership in the system is mandatory for all certificated employees meeting the eligibility requirements. The system is financed by earnings from investments and contributions from members, school districts and the State of California. Employees have contributed 8 percent of compensation since July 1, 1972. Employers' contributions as of July 1, 1978 reached a matching 8 percent of payroll.

Assembly Bill 8 (Chapter 282, Laws of 1979) which was signed by the Governor on July 24, 1979 provides that school districts and other agencies employing members of the S.T.R.S. shall contribute monthly to the Teachers' Retirement Fund 8 percent of the total of the salaries upon which members' contributions are based. AB8 further provides beginning July 1 1980, for the annual appropriation of \$144,300,000 from the State General Fund to the State Teachers' Retirement Fund, such amount to be adjusted for changes in the California Consumer Price Index. AB8 further provides for the annual transfer from the State General

Fund of additional amounts according to a specified schedule, beginning at \$10 million for the fiscal year ending June 30, 1981 and reaching \$280 million for the fiscal year ending June 30, 1995. For the fiscal year 1994/95 and each fiscal year thereafter, the amount appropriated pursuant to the specified appropriation for that year, shall be increased or decreased by an amount which reflects the change in the preceding year in the California Consumer Price Index. According to the Chief Executive Officer of the S.T.R.S., current funding of the system is inadequate to meet accruing benefit obligation; whereas an estimated 26 percent of payroll is presently necessary to fully fund the system over a period of forty years, about 20.8 percent will be realized with the additional financing provided by provisions of AB8. For further information concerning the system, contact State of California, State Teachers' Retirement System, Post Office Box 1527-C, Sacramento, California 95813.

Employment Contracts

The District's certificated personnel belong to the California Teachers' Association and its affiliate, Hilmar Unified Teachers' Association. Classified personnel do not have a union or association affiliation; they present salary and fringe benefit requests to the Board of Trustees each year for consideration and action.

On July 1, 1976, all California school districts became subject to the provisions of a newly enacted California law, the Rodda Act. Under provisions of the Rodda Act, the District Board of Trustees is required to recognize and bargain with employee organizations. In case of employee disputes, local grievance procedures may be operative (if established by contract), or both parties may agree to submit grievances to mediation pursuant to rules adopted by the California Educational Relations Board which administers the Act.

As of the date of this Official Statement, certificated employees of the Hilmar Unified School District are working under a contract which terminates on June 30, 1981. District classified employees are currently readying salary and benefit requests for submission to the Board of Trustees. The District, to date, has never been the object of a formal strike by District personnel.

REGIONAL CHARACTERISTICS AND DEMOGRAPHICS

The Hilmar Unified School District covers approximately 107 square miles in the northwestern portion of Merced County. Administrative functions of the District are conducted in the unincorporated community of Hilmar which is approximately 100 miles southeast of San Francisco and 300 miles north of Los Angeles. Hilmar is approximately six miles south of the City of Turlock, 23 miles northwest of the City of Merced and 27 miles southeast of the City of Modesto. The unincorporated community of Stevenson, about six miles south of Hilmar, is also located within the District and is the site of one of the two elementary schools in the Hilmar Unified School District.

Population

The current population of Hilmar Unified School District is estimated at approximately 5,400 by the District. About 35 percent of District population resides in Hilmar while the remaining 65 percent resides and works on farms in the surrounding rural area. Historical population data are not available for Hilmar. In September, 1975 the County of Merced conducted a special census which recorded population for the Hilmar-Irwin area at 1,675, and projected a figure of 1,876 to January 1, 1978. The same census recorded 5,170 residents and 1,695 houses in the Hilmar Unified School District. The majority of the District's population is employed on farms where housing is also located.

Table 13 presents a population history for the City and County of Merced from 1950 to 1979.

Industrial, Commercial and Employment

While Hilmar is classified within the Merced County labor market area, its proximity to the Modesto-Turlock labor market area affords additional employment opportunities to area residents. (Hilmar is six miles from Turlock and 23 miles from Merced.) Table 14 presents employment by industry for selected years since 1972 for the two areas.

In Merced County in 1978, agriculture accounted for 25 percent of total wage and salary employment with trade accounting for over 21 percent (retail trade comprises more than two-thirds of this sector). Government is the third largest category, accounting for around 21 percent of the total (state and local government comprises over 85 percent of this sector). In the Modesto-Turlock labor market area in 1978, trade accounted for 21 percent of total employment (with retail trade accounting for approximately 80 percent of this subtotal). Manufacturing is the next largest category making up 20 percent of the total (non-durable goods manufacturing accounts for over 75 percent of this figure), while government comprises almost 18 percent of total employment. The unemployment rate averaged 11.6 percent in 1978 in Merced County and 12.4 percent in the Modesto-Turlock labor market area.

While Turlock is the major shopping area for District residents, Hilmar contains a variety of commercial establishments including four gas stations, two restaurants, two hardware stores, grocery stores, barber and beauty shops, a florist and laundromat. A branch of the Bank of America is located in Hilmar, as well as Golden Valley Bank. The City of Merced is less than a half-hour drive from Hillmar.

TABLE 13
POPULATION STATISTICS

Year	County of Merced	City of Merced
1950*	69,780	15,278
1960*	90,446	20,068
1970*	104,629	22,670
1977†	121,400	31,700
1978†	124,600	33,100
1979†	126,400	33,750

* As of April 2. Source: Department of Commerce, Bureau of the Census.

† As of January 1. Source: Population Research Unit, Department of Finance, State of California.

Agriculture

The District is located in one of the most productive agricultural areas in the world. The eight-county San Joaquin Valley possesses climate, soil and water resources which are highly conducive to cultivation of an unusually wide variety of agricultural products. Warm, dry summers and mild winters provide a long growing season.

Dairy farming is the principal agricultural activity in the District. Approximately 40 dairy farms with between approximately 100 and 1,000 cows are located in the District. Dairymen in the District utilize the distribution facilities of the San Joaquin Valley Dairymen Association, Foremost Foods Company, Carnation Company, Safeway Stores, California Cooperative Creamery and Knudsen Dairy Products.

The James J. Stevinson Corporation, located in Stevinson about six miles from Hilmar, owns approximately 7,000 acres in the District, operates two dairies which milk 900 cows, and employs 65 people. The Flying H Ranch owns 3,400 acres in the District, operates one dairy and employs 13 people. Foster Farms has a number of poultry farms throughout the District.

The Foster Farms processing plant, which offers employment opportunities to District residents, is located adjacent to the District and employs 3,835 people.

The cultivation of almonds, walnuts, grapes, hay, corn and sweet potatoes is also economically important in the District.

Gallo Winery has a number of vineyards in the District and one housing development for its employees. A Gallo grape crushing plant, located just outside the District, ships its product to Modesto for bottling.

An 80-acre horse ranch is being developed about ten miles from Hilmar in Stevinson. When completed, the thoroughbred training center will be equipped to train, feed and doctor approximately 300 horses. Facilities are expected to include a $\frac{5}{8}$ -mile track, 20 breeding stables, 100 lay-up stalls and 19 training stable stalls. A stud show area 60 feet in diameter is proposed for the center, as well as a swimming pool for the horses which will measure 44 feet in diameter and reach a depth of 11 feet. The project received approval from Merced County Planning officials on January 14, 1979 and is currently under construction. Completion of the facility is projected in mid-September, 1979.

TABLE 14
LABOR MARKET SURVEY (AVERAGE ANNUAL)

	1972	1975	1978
MERCED COUNTY			
Agriculture	8,875	10,275	10,696
Construction and mining	1,100	1,025	1,265
Manufacturing	3,525	4,300	5,329
Transportation, communication and utilities	1,375	1,600	1,910
Wholesale and retail trade	6,050	7,400	9,513
Finance, insurance and real estate	1,250	1,475	1,608
Services	2,975	3,600	4,204
Government	7,875	9,100	9,153
Total	33,025	38,775	43,678
MODESTO-TURLOCK			
Agriculture	11,000	12,200	11,500
Construction and mining	4,000	3,800	5,900
Manufacturing	16,200	17,800	19,100
Transportation, communication and utilities	2,900	3,200	3,700
Wholesale and retail trade	13,600	15,900	20,300
Finance, insurance and real estate	1,700	1,900	2,800
Services	10,300	13,200	15,500
Government	11,700	14,200	17,100
Total	71,400	82,200	95,900

Source: Employment Data and Research Division, California Employment Development Department.

The Turlock Irrigation District supplies District agricultural users with irrigation water. The Turlock Irrigation District was formed in 1887 and has in excess of 196,000 gross acres of which approximately 170,000 are irrigated. Its service area is contained between the Merced and Tuolumne Rivers, and the San Joaquin River and the foothills east of Turlock. Water supplied to Hilmar Unified School District agricultural users by Turlock Irrigation District is primarily obtained from the Tuolumne River. The Turlock Irrigation District, the adjoining Modesto Irrigation District and the City of San Francisco hold extensive water rights to water from the Tuolumne River Watershed. San Francisco has a right to drinking water only, while the Turlock Irrigation District and the Modesto Irrigation District have rights to water for and to serve water to 300,000 acres in their service areas, as established by the Raker Act of 1913. The districts presently supply irrigation water to around 250,000 irrigation acres. The Turlock Irrigation District reports that it does not expect the 300,000-acre figure to be reached in the foreseeable future. The Turlock Irrigation District further reports that in any event the districts would not jeopardize water availability to lands presently being

served by Turlock Irrigation District and Modesto Irrigation District by annexation of additional lands.

Water allotment to District agricultural users is set by the Turlock Irrigation District. In a normal water year, District users are allotted four acre-feet per acre per year at a charge of \$2.50 per acre. Under conditions of less water availability, the allotment is less. In the two-year drought period from 1976 to 1978, District users were allotted substantially less. The Hilmar Unified School District was not significantly adversely affected by the drought, however, as pumps were used to supplement water from the Tuolumne River. While the Turlock Irrigation District cannot predict the precise effects of a severe, long term drought, the district reports that its own pumps numbering over 200, along with privately owned pumps in the district utilized on a contracted basis, give the district the ability to pump a substantial portion of the district's water needs. Of the approximately 600,000 annual acre-feet of water supplied to its total acreage, the Turlock Irrigation District estimates that about 200,000 acre-feet annually are supplied to Hilmar School District.

The Hilmar Drainage District provides drainage; however the District is situated in an area of sandy soil, and as a result has not historically encountered drainage problems.

Merced County was ranked 8th in California in terms of agricultural production in 1978. Table 15 shows a history of gross value of agricultural production in the County for the last six years. Gross value for 1978 totaled \$496,893,000. While gross value has shown a steady increase since 1972, there was a \$17,867,000 decrease in 1978 from the County's all-time record high in 1977. Adverse weather conditions during 1978 produced substantial declines in cotton, tomatoes and almonds. Milk and milk product figures showed an increase of \$6,500,000 while cattle and calves registered an increase of \$9,000,000. Twenty-seven percent of total gross value was provided by livestock and poultry and 24 percent by livestock and poultry products. Field crops accounted for 20 percent and fruit and nut crops for 17 percent. Vegetable crops produced 10 percent while the remaining 2 percent was composed of apiary and nursery products.

TABLE 15
MERCED COUNTY
SUMMARY OF AGRICULTURAL PRODUCTION
GROSS VALUE

	1973	1974	1975	1976	1977	1978
Apiary products	\$ 1,595,400	\$ 1,575,500	\$ 1,085,000	\$ 1,493,200	\$ 1,600,900	\$ 2,021,000
Field crops	78,936,600	112,474,600	101,968,000	123,160,800	111,041,500	96,344,000
Fruit and Nut Crops	69,085,560	58,862,420	55,799,000	74,971,100	100,481,500	86,243,000
Livestock and poultry	83,386,000	68,155,300	103,548,000	119,051,800	119,294,800	132,959,000
Livestock and poultry products	72,020,000	75,985,600	89,559,000	99,302,600	112,085,500	118,519,000
Nursery products	5,720,000	4,056,000	5,023,000	4,302,000	6,430,000	7,336,000
Seed crops	842,000	1,335,400	2,972,000	3,343,000	3,683,000	2,643,000
Vegetable crops	32,669,000	35,254,800	47,704,000	40,089,000	60,142,800	50,828,000
Total	\$344,254,560	\$357,699,620	\$407,658,000	\$465,713,500	\$514,760,000	\$496,893,000

Source: Department of Agriculture, Merced County, California.

Merced County covers 1,995 square miles in the central portion of the San Joaquin Valley. Estimated population for 1979 is 126,400 compared with 104,629 in 1970 and 90,446 in 1960. The county's 1978/79 assessed valuation reached \$647,932,745. The almost \$500 million agri-business industry is the primary base of the Merced County economy. In recent years, however, the county has broadened its economic base by attracting non-agriculturally oriented industry.

The City of Merced, 23 miles southeast of Hilmar, is the county seat and major trading and commercial center of the county. Merced County is traversed by State Highways 99, 140, 152, 165, 33 and 59 and Interstate 5. Southern Pacific and Santa Fe Railroads serve the County. State Highway 140, commencing at the City of Merced, is a principal Northern California gateway to Yosemite National Park. While food packing and processing operations are the largest local industries, a growing number of manufacturing and light industrial firms are located in the City of Merced.

Table 16 presents a history of taxable sales in the City and County of Merced. During 1978, 1,266 retail stores and 2,555 total outlets in Merced County provided employment, goods and services to county residents. Total retail sales of \$347,985,000 registered a 10.2 percent increase over the previous year, while total transactions rose 10.7 percent over 1977. The City of Merced's taxable retail transactions of \$185,244,000 for 455 outlets rose 9.75 percent over 1977, while an increase of 10.7 percent was recorded in total transactions. In the City of Merced, retail sales increased by 77 percent from 1960 to 1970, with total sales recording a 71 percent gain. In Merced County during this ten-year period, retail sales increased 65 percent, while total sales registered a 69 percent increase.

Construction Valuations

Tables 17 and 18 show construction valuations for Merced County and for the City of Merced for the past eight years. Total valuations in 1978 reflected a 15 percent increase over 1977 in Merced County, with residential valuations accounting for the majority of this increase. Single family valuations (\$43,505,000 for 1,052 units) comprised more than half of the total.

TABLE 16
TAXABLE TRANSACTIONS—CITY OF MERCED AND COUNTY OF MERCED

	City of Merced		Merced County	
	Retail Stores	Total Outlets	Retail Stores	Total Outlets
1960				
Permits	351	601	1,051	1,949
Taxable sales (000)	\$ 39,381	\$ 46,243	\$ 76,119	\$ 91,082
1965				
Permits	316	556	1,056	1,988
Taxable sales (000)	\$ 49,656	\$ 55,936	\$ 97,664	\$ 120,124
1970				
Permits	390	624	1,140	2,039
Taxable sales (000)	\$ 69,772	\$ 79,220	\$ 125,578	\$ 154,568
1975				
Permits	427	723	1,201	2,278
Taxable sales (000)	\$ 128,661	\$ 143,806	\$ 254,025	\$ 311,217
1976				
Permits	422	732	1,207	2,354
Taxable sales (000)	\$ 146,848	\$ 167,840	\$ 285,823	\$ 353,950
1977				
Permits	441	775	1,233	2,447
Taxable sales (000)	\$ 168,789	\$ 192,884	\$ 315,764	\$ 401,242
1978				
Permits	455	818	1,266	2,555
Taxable sales (000)	\$ 185,244	\$ 213,605	\$ 347,985	\$ 444,210

Source: State Board of Equalization, annual summaries of "Trade Outlets and Taxable Sales in California."

TABLE 17
COUNTY OF MERCED
NEW CONSTRUCTION VALUATIONS

	1971	1972	1973	1974	1975	1976	1977	1978
Single family	\$12,962,000	\$17,741,000	\$16,544,000	\$14,658,000	\$18,451,000	\$29,126,000	\$37,546,000	\$43,505,000
Multi-family	7,740,000	5,139,000	3,383,000	1,082,000	1,791,000	6,305,000	7,920,000	13,910,000
Other residential	592,000	781,000	2,271,000	1,100,000	2,281,000	2,645,000	4,000,000	3,005,000
Residential Totals	\$22,254,000	\$34,664,000	\$22,795,000	\$17,650,000	\$22,912,000	\$50,000,000	\$65,546,000	\$60,505,000
Commercial	\$ 2,121,000	\$ 3,700,000	\$ 6,843,000	\$ 2,071,000	\$ 3,413,000	\$ 9,051,000	\$ 3,351,000	\$ 3,351,000
Industrial	681,000	3,662,000	3,696,000	1,865,000	2,136,000	1,743,000	5,758,000	2,766,000
Other commercial and industrial	4,715,000	3,681,000	5,559,000	4,168,000	9,547,000	8,899,000	7,715,000	9,654,000
Commercial and Industrial Totals	\$ 7,527,000	\$ 11,043,000	\$ 16,098,000	\$ 8,110,000	\$ 15,476,000	\$ 19,698,000	\$ 21,737,000	\$ 21,079,000
Total Valuations	\$29,821,000	\$35,707,000	\$38,296,000	\$26,974,000	\$38,949,000	\$58,775,000	\$71,691,000	\$82,480,000
NUMBER OF DWELLING UNITS								
Single family	672	865	762	599	620	924	1,011	1,052
Multi-family	707	515	329	94	138	466	576	700
Total Dwelling Units	1,379	1,380	1,091	693	758	1,390	1,587	1,752

Source: "California Construction Trends", Security Pacific Bank.

TABLE 18
CITY OF MERCED
NEW CONSTRUCTION VALUATIONS

	1971	1972	1973	1974	1975	1976	1977	1978
Single family	\$ 336,000	\$ 79,000	\$ 147,000	\$ 441,000	\$ 527,000	\$ 1,773,000	\$ 519,000	\$ 848,000
Multi-family	1,390,000	1,081,000	955,000	32,000	106,000	543,000	329,000	2,639,000
Other residential	22,000	90,000	114,000	66,000	70,000	52,000	118,000	73,000
Residential Totals	\$1,748,000	\$1,250,000	\$1,216,000	\$539,000	\$ 703,000	\$2,368,000	\$ 966,000	\$3,560,000
Commercial	\$ —	\$ 62,000	\$ 54,000	\$ —	\$ —	\$ —	\$ 709,000	\$ 50,000
Industrial	—	100,000	—	—	350,000	800,000	—	—
Other commercial and industrial	4,000	51,000	122,000	305,000	123,000	30,000	31,000	40,000
Commercial and Industrial Totals	\$ 4,000	\$ 213,000	\$ 176,000	\$ 305,000	\$ 473,000	\$ 830,000	\$ 740,000	\$ 90,000
Total Valuations	\$1,752,000	\$1,463,000	\$1,392,000	\$844,000	\$1,176,000	\$3,198,000	\$1,706,000	\$3,650,000
NUMBER OF DWELLING UNITS								
Single family	17	3	7	22	17	62	17	16
Multi-family	100	110	108	2	10	45	—	112
Total Dwelling Units	117	113	115	24	27	107	47	—

Source: "California Construction Trends", Security Pacific Bank.

In the City of Merced, 1978 construction valuations registered a 114 percent increase over the previous year. Residential totals accounted for all except 2.5 percent of the total, with multi-family units making up 74 percent of the total residential construction valuations (\$2,639,000 for 112 units).

Community Facilities

The Hilmar Unified School District serves grades K through 12 and has a 1978/79 average daily attendance of 1,463. California State College, Stanislaus, occupies a 230-acre campus in Turlock, six miles from Hilmar. The school enrolls 3,444, grants both undergraduate and graduate degrees and offers a range of teaching credential programs. Also serving the District is Modesto Community College, a two-year institution offering academic and vocational training, which enrolls 13,325, and is located 27 miles from Hilmar.

District residents are served by Emanuel Medical Center in Turlock, with 110 licensed beds and Turlock Community Hospital, a general-acute care facility with 39 licensed beds. Fifty-three physicians practice at the two hospitals. Twenty-four dentists practice in Turlock.

A variety of recreational programs are offered by the Hilmar schools. Two golf courses are located in the District, one of which is an 18-hole course; the other is a 9-hole course. Two large parks are within a few miles of the community. Hagaman County Park is three miles distant while the George Hatfield State Recreation Area is within six miles of Hilmar. Yosemite National Park is 100 miles east of Hilmar.

Fire protection is provided by the Hilmar Volunteer Fire Department, manned by 30 volunteers and three permanent engineers, and by the Merced County Fire Department. A tanker truck, a rescue truck and one pumper are located in Hilmar while District residents also have available to them the services of the Stevinson Volunteer Fire Department which maintains similar equipment. Police protection is provided by the Merced County Sheriff's Department and the California Highway Patrol.

Transportation

The District is traversed by State Highway 99 which is a major north-south route linking Central Valley cities. Highway 99 connects with Highway 140 leading to Yosemite National Park. The District is approximately 45 minutes east of Interstate 5, the major west coast route connecting San Francisco and Los Angeles. The District is within overnight truck delivery range of Los Angeles, San Francisco, San Diego and Sacramento and avails itself of the extensive San Joaquin Valley trucking network centered in Merced and Fresno. Rail service is available out of Turlock which is directly served by Southern Pacific Railroad and Tidewater Southern Railroad (a branch of the Western Pacific system). The Port of Stockton, 50 miles north of Hilmar, provides a worldwide distribution outlet and is accessible by truck and rail.

Residents of the District are served by Greyhound Bus Company and Continental Trailways who have depots in Turlock. Commercial air transportation and freight service are available at the Modesto Municipal Airport 16 miles from Hilmar with six daily Air Pacific flights between Modesto and San Francisco. Merced Airport 23 miles to the southeast also provides regularly scheduled passenger service on Air Pacific.

OFFICIAL NOTICE OF SALE

\$1,825,000

HILMAR UNIFIED SCHOOL DISTRICT SCHOOL BUILDING CORPORATION SERIES OF 1979 BONDS

NOTICE IS HEREBY GIVEN that sealed proposals will be received and opened by a member of the Board of Directors of Hilmar Unified School District School Building Corporation (herein called the "Corporation") at the office of Orrick, Herrington, Rowley & Sutcliffe, Eleventh Floor, 600 Montgomery Street, San Francisco, California, on

WEDNESDAY, SEPTEMBER 5, 1979

at the hour of 10:00 o'clock A.M. for the purchase of \$1,825,000 principal amount of bonds of the Corporation designated "Hilmar Unified School District School Building Corporation Series of 1979 Bonds" (herein called the "bonds"), to be issued under an indenture, dated as of September 1, 1979 (herein called the "Indenture"), to be entered into between the Corporation and United California Bank, as trustee (herein called the "Trustee"). The bonds are generally described as follows:

ISSUE: \$1,825,000, consisting of 365 coupon bonds in the denomination of \$5,000 each (or fully registered bonds in denominations of \$5,000 or multiples thereof), all dated September 1, 1979, and comprising all of the bonds of said authorized issue. Additional bonds may be issued on a parity with the bonds on the terms and subject to the conditions set forth in the Indenture. It is not presently contemplated that the Corporation will issue any additional bonds.

INTEREST RATE: The maximum rate bid may not exceed eight per cent (8%) per annum. Interest is payable annually the first year on September 1, 1980 and semiannually thereafter on March 1 and September 1 of each year. Bidders must specify the rate or rates of interest which the bonds hereby offered for sale shall bear. Bidders will be permitted to bid different rates of interest; but (i) the maximum differential between the highest and lowest coupon rates specified in any bid shall not exceed two per cent (2%) per annum; (ii) each interest rate specified in any bid must be in a multiple of one-twentieth of one per cent (1/20 of 1%) per annum and a zero rate of interest cannot be specified; (iii) no bond shall bear more than one rate of interest, no interest payment shall be evidenced by more than one coupon and supplemental coupons will not be permitted; (iv) each bond shall bear interest from its date to its stated maturity date at the interest rate specified in the bid; (v) all bonds maturing at any one time shall bear the same rate of interest; and (vi) any premium must be paid as part of the purchase price, and no bid will be accepted which contemplates the cancellation of any interest coupons or the waiver of any interest or other concession by the bidder as a substitute for payment in full of the purchase price.

MATURITIES: The bonds will mature on September 1 in each of the years, and in the amounts, as follows:

Maturity Date	Principal Amount	Maturity Date	Principal Amount
September 1		September 1	
1981.....	\$ 90,000	1988.....	\$145,000
1982.....	95,000	1989.....	155,000
1983.....	100,000	1990.....	165,000
1984.....	110,000	1991.....	180,000
1985.....	120,000	1992.....	195,000
1986.....	125,000	1993.....	210,000
1987.....	135,000		

REDEMPTION: The Corporation shall have the right, under the circumstances prescribed in the Indenture, to redeem bonds from proceeds of insurance or proceeds of eminent domain proceedings, upon the terms and conditions set forth in the Indenture, at the principal amount thereof and accrued interest thereon to the date fixed for redemption. Bonds due on or before September 1, 1989 are not otherwise subject to redemption prior to their respective stated maturities. Bonds due on or after September 1, 1990 are also subject to redemption prior to their respective stated maturities, at the option of the Corporation, as a whole, or in part in inverse order of maturities and by lot within any one maturity if less than all of the bonds of such maturity be redeemed, from any source of available funds, on any interest payment date on or after September 1, 1989, at the principal amount thereof and accrued interest thereon to the date fixed for redemption, plus a premium of one-quarter of one per cent (1/4 of 1%) of such principal amount for each whole year or fraction thereof remaining between the date fixed for redemption and their stated maturity.

PAYMENT: Both principal and interest are payable in lawful money of the United States of America at the principal office of United California Bank in San Francisco, California, or, in the case of coupon bonds, at the option of the holder, at the principal office of United California Bank in Los Angeles, California.

REGISTRATION: The bonds may be issued in coupon form or in fully registered form, and will be interchangeable upon the terms set forth in the Indenture.

PURPOSE: The bonds are to be issued to finance the construction of a gymnasium and music facility on the Hilmar High School Campus, for lease to the Hilmar Unified School District (herein called the "District"), Merced County, California.

SECURITY: The bonds are to be secured by the Indenture, pursuant to which the Corporation will transfer to the Trustee the leasehold estate of the Corporation to be held by the Corporation under a lease entitled "Site Lease (Project Phase I)," to be entered into by the District and the Corporation, and all of the right, title and interest of the Corporation in a lease entitled "Facility Lease (Project Phase I)," to be entered into by the Corporation and the District. Rentals to be payable by the District under the Facility Lease shall constitute the primary source of funds of the Corporation for the payment of the bonds.

TAX EXEMPT STATUS: In the event that prior to the delivery of the bonds (a) the income received by private holders from bonds of the same type and character shall be declared to be taxable (either at the time of such declaration or at any future date) under any federal income tax laws, either by terms of such laws or by ruling of a federal income tax authority or official which is followed by the Internal Revenue Service, or by decision of any federal court, or (b) any federal income tax law is adopted which will have a substantial adverse tax effect upon holders of the bonds as such, the successful bidder may, at his option, prior to the tender of the bonds by the Corporation, be relieved of his obligation under the contract to purchase the bonds, and in such case the deposit accompanying his bid will be returned.

LEGAL OPINION: The legal opinion of Orrick, Herrington, Rowley & Sutcliffe, of San Francisco, California, approving the validity of the bonds will be furnished to the successful bidder without cost. A copy of the legal opinion, certified by the official in whose office the original is filed, will be printed on each bond without charge to the successful bidder.

TERMS OF SALE

AWARD—THE HIGHEST BIDDER: The bonds will be awarded to the highest responsible bidder, considering the interest rate or rates specified and the premium offered, if any. The highest bid will be determined by deducting the amount of the premium bid (if any) from the total amount of interest which the Corporation would be required to pay from the date of the bonds to their respective maturity dates at the coupon rate or rates specified in the bid, and the award will be made on the basis of the lowest net interest cost to the Corporation thereby determined. The purchaser must pay accrued interest, computed on a 360-day year basis, from the date of the bonds to the date of delivery. The cost of printing the bonds will be borne by the Corporation.

RIGHT OF REJECTION: The Corporation reserves the right, in its discretion, to reject any and all bids and to waive any irregularity or informality in any bid.

PROMPT AWARD: The Corporation will take action awarding the bonds or rejecting bids not later than twenty-six (26) hours after the expiration of the time herein prescribed for the receipt of bids, unless such time of award is waived by the successful bidder. Notice of the award will be given promptly to the successful bidder.

DELIVERY AND PAYMENT: Delivery of the bonds will be made to the successful bidder at the office of the Trustee in San Francisco, California, as soon as the bonds can be prepared, but not prior to their date. Payment for the bonds must be made in immediate San Francisco funds. Any expense of providing immediate San Francisco funds, whether by transfer of Federal Reserve Bank funds or otherwise, shall be borne by the purchaser.

RIGHT OF CANCELLATION: The successful bidder shall have the right, at his option, to cancel the contract of purchase if the Corporation shall fail to execute the bonds and tender the same for delivery within sixty (60) days from the date of sale thereof, and in such event the successful bidder shall be entitled to the return of the deposit accompanying his bid.

FORM OF BID: All bids must be for not less than all of the bonds hereby offered for sale and accrued interest to date of delivery, plus such premium as is specified in the bid. Each bid, together with bidder's check, must be enclosed in a sealed envelope addressed to the Corporation with the envelope and bid clearly marked "Proposal for Purchase of Hilmar Unified School District School Building Corporation Bonds, Series of 1979." Each bid must be in accordance with the terms and conditions set forth in this notice, and must be delivered at the place first above described prior to the hour of 10:00 o'clock A.M. on September 5, 1979.

BID CHECK: A certified or cashier's check drawn on a bank or trust company having an office in San Francisco, California, in an amount of \$30,000, payable to the order of the Corporation, must accompany each proposal as a guaranty that the bidder, if successful, will accept and pay for the bonds in accordance with the terms of his bid. The check accompanying any accepted proposal shall be applied on the purchase price. The check shall be cashed and the amount thereof retained by the Corporation if after the award of the bonds the successful bidder fails to complete his purchase on the terms stated in his proposal. The check accompanying each unaccepted proposal will be returned promptly. No interest will be paid upon the deposit made by any bidder.

STATEMENT OF NET INTEREST COST: Each bidder is requested, but not required, to state in his bid the total net interest cost in dollars to the Corporation and the percentage net interest cost determined thereby, which shall be considered as informative only and not binding on either the bidder or the Corporation.

NO LITIGATION: There is no litigation pending concerning the validity of the bonds, the corporate existence of the Corporation or the entitlement of the officers thereof to their respective offices, and the Corporation will furnish to the successful bidder a no-litigation certificate certifying to the foregoing as of and at the time of the delivery of the bonds.

SALE IN CALIFORNIA: The Division of Corporation Finance of the United States Securities and Exchange Commission has issued a "no-action" letter to the Corporation stating that the Division of Corporation Finance will not recommend any action to the Securities and Exchange Commission if the proposed bond offering is made without prior compliance with the registration requirements of the Securities Act of 1933 or qualification of the Indenture under which the bonds are to be issued under the Trust Indenture Act of 1939. The Commissioner of Corporations of the State of California has issued an interpretive opinion stating that the bonds are exempt from the qualification requirement of Section 2510 of the California Corporate Securities Law of 1968. The bonds are being offered and sold without registration under the Securities Act of 1933 or qualification of the Indenture under the Trust Indenture Act of 1939, and without qualification under the California Corporate Securities Law of 1968, in reliance upon such "no-action" letter and such interpretive opinion.

RESALE IN OTHER STATES: The purchaser of the bonds will assume responsibility for taking any necessary action to qualify the bonds for offer and sale in jurisdictions other than California in which it is desired to offer the bonds for resale, and for complying with the laws of all jurisdictions on resale of the bonds, and shall indemnify and hold harmless the Corporation and its officers and directors from any loss or damage resulting from any failure to comply with any such law.

CUSIP NUMBERS: It is anticipated that CUSIP numbers will be printed on the bonds, but neither failure to print such numbers on any bond nor any error with respect thereto shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for the bonds in accordance with the terms of the purchase contract. All expenses in relation to the printing of CUSIP numbers on the bonds shall be paid by the Corporation; provided, however, that the fee of the CUSIP Service Bureau for the assignment of said numbers shall be the responsibility of and shall be paid for by said purchaser.

OFFICIAL STATEMENT: The Corporation has prepared an official statement relating to the bonds, a copy of which will be furnished upon request to Loeb Rhoades Shearson, Division of Shearson Hayden Stone Inc., 47th Floor, 600 Montgomery Street, San Francisco, California 94111, which firm is the financing consultant to the Corporation for the bonds. The Corporation will deliver to the purchaser of the bonds a certificate of an official of the District, dated the date of bond delivery, stating that as of the date hereof, to the best of the knowledge and belief of said official, the official statement does not contain an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, and further certifying that the signatory knows of no material adverse change in the condition of the District which would make it unreasonable for the purchaser of the bonds to rely upon the official statement in connection with the resale of the bonds, and authorizing the purchaser of the bonds to distribute copies of the official statement in connection with the resale of the bonds. 200 copies of the official statement will be supplied to the purchaser of the bonds for this purpose at the expense of the Corporation.

Dated: August 7, 1979.

ALBERT MORAIS

Secretary of Hilmar Unified School District
School Building Corporation

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